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PRESIDENT'S AFDC WORK PROPOSALS AND THE WHITE HOUSE DOMESTIC POLICY COUNCIL EVALUATION OF FEDERAL WELFARE PROGRAMS

171

ORIGINAL

HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND
UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

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PRESIDENT'S AFDC WORK PROPOSALS AND THE WHITE HOUSE DOMESTIC POLICY COUNCIL EVALUATION OF FEDERAL WELFARE PROGRAMS

THURSDAY, FEBRUARY 27, 1986

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:02 p.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman) presiding.

[The press release announcing the hearing follows:]

[For immediate release, Wednesday, Feb. 12, 1986]

HON. HAROLD FORD (D., TENN.), CHAIRMAN, SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES A PUBLIC HEARING ON THE WORK OPPORTUNITIES PROGRAM FOR AFDC RECIPIENTS RECOMMENDED BY THE PRESIDENT AS PART OF THE FISCAL YEAR 1987 BUDGET AND THE PLANS OF THE WHITE HOUSE DOMESTIC COUNCIL TO EVALUATE FEDERAL PROGRAMS SERVING POOR FAMILIES TO BE HELD ON THURSDAY, FEBRUARY 27, 1986

The Honorable Harold Ford (D., Tenn.), Chairman, Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives, today announced a hearing on the work opportunities program for Aid to Families with Dependent Children (AFDC) recipients recommended by the President as part of the fiscal year 1987 budget and the plans of the White House Domestic Council to evaluate Federal programs serving poor families. The hearing will be held on Thursday, February 27, 1986, in room B-318, Rayburn House Office Building, beginning at 1:00 p.m.

The hearing will include invited witnesses from the Administration and from States that are operating work and training programs for AFDC recipients. In announcing the hearing, Chairman Ford said, "We need to take a close look at the various proposals and programs involving work and training opportunities for AFDC recipients. In addition, it is important for the Subcommittee to understand how the White House Domestic Council intends to carry out the directive of the President to evaluate programs serving poor families and how that evaluation relates to the Administration's legislative agenda in this session of the Congress."

The Subcommittee will hear testimony at this hearing only from invited witnesses. The opportunity for other individuals to testify will be provided at future hearings.

WRITTEN STATEMENTS FOR THE RECORD OF THE HEARING

Persons wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statements by the close of business, Friday, March 7, 1986, to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and interested public, they may provide 75 additional copies for this purpose to the Subcommittee office, room B-317, Rayburn House Office Building, before the hearing begins.

Chairman FORD. The Subcommittee on Public Assistance and Unemployment Compensation of the Ways and Means Committee will come to order.

The two bells that I heard are an indication that there is a vote on the House floor. Before the chairman would give his opening statement, I will recess for a period of about 7 minutes, so I can go and record a vote.

[Recess.]

Chairman FORD. The subcommittee will come to order.

Last week the subcommittee made a site visit, of sorts, right here in this hearing room. We visited with Clarinda Henderson, a teenage mother on AFDC who does not want her parental responsibilities to interfere with her education, but is finding it hard to raise her baby and stay in school at the same time.

We met Alice Sondra, the mother of three children who once was self-supporting, but after the birth of her children had to rely upon welfare to support them. Sadly, Alice Sondra has since died. Timothy, the father of her children, had not worked in several years and has no prospect of a productive future. We also met Bernard Wardrick, a 15-year-old boy, who does not know if he can escape the unemployment, crime, and poverty in the ghetto. Out visit was made through the eyes of television as we replayed the Bill Moyers' special, "The Vanishing Black Family—Crisis in Black America." It left me shocked and alarmed and wondering what could be done to break the cycle of poverty so vividly portrayed in the documentary.

At today's hearing we will begin to examine one possible solution: work and education programs for AFDC recipients. The administration has again proposed a mandatory AFDC work program. Since 1981, 41 States have begun new efforts to help AFDC recipients find work. There is growing support for programs that direct welfare recipients to education, training, and jobs. Both taxpayers and welfare recipients want these programs. And I look forward to hearing about the administration's proposal and State programs that are already in place.

I believe that a substantial majority of the Members of Congress are serious about addressing the issues of poverty and welfare dependency now. And I hope that the President is serious as well. While I welcome the concern he has expressed in his State of the Union Address and other speeches, that concern has not seemed to register with the Cabinet officers in his administration.

We invited both Secretary Bowen and Attorney General Ed Meese to testify about the administration's workfare proposal and the interaction between that proposal and the welfare study to be conducted by the Domestic Policy Council, chaired by the Attorney General Ed Meese. This subcommittee, with jurisdiction over the largest Federal program, wanted to start working with the administration now to improve our welfare system. We wanted to be clear about what aspects of welfare the administration was ready to address now, and what aspects it would prefer to hold off on pending the Domestic Policy Council's study. Neither man, Secretary Bowen nor Attorney General Meese accepted our invitation. While Secretary Bowen was kind enough to send a representative, Mr. Meese did not even bother to personally answer the letter of the invitation. One of his assistants wrote, and I quote, "We do not believe that it would appropriate for the Attorney General to testify on any of these subjects before the subcommittee." The subjects he referred to were the administration's work proposal, State work activities, and the plans the Domestic Policy Council had in evaluating Federal programs serving poor families in America.

As this subcommittee moves to develop legislation improving the welfare system, I hope the President's actions through his appointed officers will match his rhetoric.

Today we are fortunate to have one of the representatives from Health and Human Services, Ms. Jo Anne Ross, who is the Associate Commissioner of the Office of Family Assistance with the Department of Health and Human Services.

Also on that witness list today, our first panel will be Mr. Charles Atkins, who is the commissioner of the Massachusetts Department of Public Welfare; Mr. Gregory Coler, director of the Illinois Department of Public Aid; and Mrs. Linda McMahon, director of the California Department of Social Services.

And the final panel will be Ms. Barbara Blum, the president of the Manpower Demonstration Research Corp., who would also have one of their representatives to explain to this committee a program and a study that has just been recently conducted.

There are two bells now on the clock. They indicated before I left the full committee that there would be another vote. I am going to try starting the session now, because I have also invited other members of the panel to be here. Some were waiting for that second vote. Hopefully, they will be here.

If not, I might have to interrupt you, Ms. Ross, in your opening statement. If not, one of the other members on the majority side would chair while the chairman himself would go over to vote.

At this time, the chairman would welcome you once again, Ms. Ross, to the subcommittee. I know that we have heard about the workfare program with this administration for the past 4 or 5 years.

I would hope and trust that the administration would understand at this point that we are talking about now the State of the Union Address and the briefing the White House Chief of Staff had with the media prior to the State of the Union Message some 2 weeks ago.

The President has talked about a study being conducted by the Domestic Policy Council. He has called for profamily, and those who are welfare recipients making them independent of the system itself.

We have seen the Workfare Program over the past 5 years. We would hope and trust that there would be something new and innovative coming from the administration as this committee moves to mark up legislation in the next 6 to 9 months, or if not by the first of 1987.

I met with the full committee chairman and other subcommittee chairpersons earlier this week. We have already discussed the plans of this subcommittee. It is the intent of this subcommittee to move throughout this country to identify innovative ways that we can respond to the welfare problem that we are faced with.

We know that there are many who are caught within the cycle itself. They are trapped within the welfare cycle. We want to do what we feel would be good and healthy for the system, because many of those who are recipients of AFDC and the welfare program itself would like to be removed from that cycle and made independent of the welfare program.

I would hope and trust that we can work with you, the Secretary, and others within this administration to move forward in trying to bring a piece of legislation that would be fit to respond, to offer solutions to the problems that we are faced with.

At this time, the Chair will recognize Ms. Jo Anne Ross from the Department of Health and Human Services.

STATEMENT OF JO ANNE B. ROSS, ASSOCIATE COMMISSIONER, OFFICE OF FAMILY ASSISTANCE, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. Ross. Thank you, Mr. Chairman. I can assure you that we certainly appreciate the committee's interest in this issue, in holding this hearing, and also in hearing your description of the efforts that you intend to undertake during the course of the next 6 to 9 months. And I assure you, we look forward to working with you in that endeavor.

I am particularly pleased to be here today to talk about a subject which is important to all of us—the need, in fact, our obligation—to help families end their dependency on welfare.

The cost of welfare dependency goes far beyond the dollars spent on benefits. The real tragedy of welfare dependency is its human cost. The cost to children who may never see firsthand the dignity and satisfaction that comes from work. The cost to parents, whose self-esteem is sapped by their dependency to the point that they can see nothing better for the future. The cost to our Nation that results from this tremendous loss of human potential and productivity.

Welfare brings with it the danger of dependency. With regular benefit payments, however small, recipients tend to lose sight of their obligation to work toward self-sufficiency. This is not to say that recipients would not prefer to provide for their families themselves; it is just that it is hard to know how to start and many give up. They give up on themselves.

That is where government comes into the picture, because just as recipients have an obligation to move toward self-sufficiency, so does government have an obligation to help them toward their goal. This obligation is every bit as important as our obligation to provide assistance to those who cannot provide for themselves.

For those who can work, the alternative to welfare is a job. The obligation of government to help end dependency must center on helping recipients get jobs.

The President's Work Opportunities Initiative does just that. It is a comprehensive, effective approach to helping welfare recipients become self-sufficient. Before I describe the proposal in detail, I would like to take just a few moments to review past efforts, discuss current work activities, and explain why the Work Opportunities Initiative is needed this year.

Before 1981, the national program designed to help welfare recipients become self-sufficient was the Work Incentive, or WIN, Program. This program, which began in 1967, has never fulfilled Congress' intent. Certainly those who were most disadvantaged and therefore needed help most were not being served. Services tended to go to those who were already motivated, not those who needed the impetus to get started on their quest for self-sufficiency.

President Reagan came into office with several basic principles concerning work and welfare: That work provides recipients with dignity; that we had to develop programs which produced results; that these programs had to be available for all recipients who were capable of achieving self-sufficiency; and that choosing welfare over work should not be an option for those capable of becoming financially independent.

The President's articulation of, and commitment to, those principles has had a tremendous effect. In fact, as a result of his efforts, the nature of the debate on welfare and work has changed from whether work activities were a good idea to how best to implement those activities.

The 5 years since this administration took office have been a period of development and refinement of AFDC work activities. In 1981, Congress approved as a State option the Community Work Experience Program, which authorizes States to provide welfare recipients with work experience in public or private nonprofit agencies. Because of the problems with WIN, Congress also created the WIN Demonstration Program, which allows the State welfare agency to take over administration of WIN activities.

In 1982, Job Search was added as an option for the States. Finally, in 1984, Grant Diversion was added to the list of State options. Under this program, money which would have been used for a welfare payment is diverted for use as a wage subsidy for a specified period of time. As a result of the administration's efforts, a number of States have tailored programs best suited to their welfare populations and State economies.

I am sure that each of you on the subcommittee is aware that your State is pursuing work programs made possible since 1981; and, of course, the Massachusetts and California programs have received a great deal of public attention. In fact, to date, 39 States have adopted one of more of these work program options.

For example, the State of Pennsylvania has been operating a program centered on job search and work experience. In fiscal year 1985, the State reported that more than 34,000 welfare recipients found jobs, a rate several times higher than reported in prior years under the conventional WIN Program.

The States of Oklahoma and West Virginia have been operating programs with large work experience components. Oklahoma reported that more than 8,400 recipients found jobs in fiscal year 1985, and in West Virginia, over 4,000 recipients found jobs that same year.

It is clear from these and many other examples that work activities can succeed statewide. Large numbers of recipients are participating and, as a result, finding unsubsidized jobs.

These positive results are supported by a growing body of knowledge based on rigorous research designs. Claims about the effectiveness of earlier work programs, including WIN, have always been made in the absence of this kind of scientific data. Evaluations of work program demonstrations in San Diego and Arkansas by the Manpower Demonstration Research Corp., a respected research organization, and others, show increases in employment and decreases in welfare dependency compared to control groups determined by random selection. The final results in both demonstrations show that decreased welfare expenditures more than paid for the cost of operating the programs.

Accompanying all of this activity, we now see a national consensus building behind linking work to welfare. A recent Gallup poll found that more than two-thirds of the American people support laws which require work program participation. This support cuts across party, regional, and ethnic lines.

In fact, an overwhelming majority of recipients themselves think work requirements are fair. Surveys conducted among Community Work Experience participants in West Virginia, Minnesota, and San Diego, showed that over 80 percent said they believed the participation requirement was fair.

During the past 5 years, we have laid the groundwork for achieving our goal of ending welfare dependency for those capable of becoming self-supporting. But one crucial element is still missing.

I began my presentation today by talking about the obligation of government to help recipients become self-sufficient, and that of recipients to move toward self-sufficiency. An effective work activities program must incorporate both of those obligations.

The President's Work Opportunities Initiative does just that. In contrast to the way programs are operating today, our proposal would ensure that these obligations are met in a comprehensive way. The mandatory participation requirements ensure that the most disadvantaged recipients will be served. The specific activities allowed under the Work Opportunities Initiative are directly work related. Thus, both the Government's and the recipients' obligations are met in our proposal.

Participation requirements would be phased in over a 3-year period, with 75 percent of those who are capable of being self-sufficient involved in a work activity in the third and succeeding years. Of course, exemptions are provided to certain individuals on the basis of incapacity, age, and responsibility for the care of a young child.

Recognizing the differing needs and circumstances of States, we have provided options in our proposal. Despite rhetoric to the contrary, we believe that there is no such thing as a single work program model which would be effective for all States.

Under our proposal, States could choose from, or combine, the Community Work Experience Program, job search, grant diversion, and activities conducted under the Job Training Partnership Act. Additionally, States could, with the Secretary's approval, develop new programs designed to move welfare recipients into the work force. Thus, States could combine and expand their existing work-related activities if the administration's bill were adopted.

Thus, the Work Opportunities Initiative targets resources and effort to those activities which have proven themselves effective, while maintaining State flexibility to tailor programs to meet their needs. This comprehensive program would end the failure of WIN, and build on the success of States' experience over the past 5 years.

Substantial Federal resources would be made available to implement the new programs. In keeping with the State-Federal partnership which AFDC represents, we would match at a 50-percent rate all administrative costs associated with implementing and running work programs. This match is open-ended and, because of the great importance of this program, would not be subject to a separate administration proposal to contain administrative costs. We estimate $200 million as the Federal share in fiscal year 1987. And as participation rates rise in later years, so would funding levels. As a result of this investment, we expect that there will be budget savings even in the first year of operation for both Federal and State governments.

As I helped to develop this proposal, I kept in mind a 26-year-old woman I talked to who had been on welfare since she was 17. She told me she had never worked because she did not think she had anything to offer.

Through a Community Work Experience Program, she had been working in a clerical position and in 4 months had learned to type, to file, and to answer the telephones. She said to me, "I never thought I could even get up every day and catch a bus, much less get up every day, catch a bus, and go to work. Now I know that if no one showed up in this office tomorrow, I could run it all by myself."

What would have happened to that young woman if her State had not had a work program and had not made participation mandatory?

And what happens to children growing up without a working role model? The obligations I have been speaking about are for today and for tomorrow. We must reduce welfare dependency now, and we must help create a better environment for children to grow in. A child who sees his parent get up every morning and go to work learns the rewards—both financial and nonfinancial—that come from work. And he learns that goals are reached through work. AFDC is by its very nature a program which deals with people and with families. How better can we serve the children in these families than to help their parents become self-sufficient?

In closing, Mr. Chairman, I would like to leave the committee with one thought. We must act now. We have a national consensus for work programs. It is time to match that consensus with a national commitment.

As President Reagan said in his State of the Union Address, "The success of welfare should be judged by how many of its recipients become independent of welfare." The Work Opportunities Initiative is the next step in making AFDC meet that standard. I urge you to adopt this proposal, which will help hundreds of thousands of Americans to end their dependency on welfare.

I will be happy to answer any questions you have.

Mr. GRADISON. Thank you very much for your testimony. I might explain that we had back-to-back votes on the floor and that is why our chairman had to leave when he did in order to get to the second vote before the time runs out.

I want to thank you very much for this testimony and for this very affirmative program which you have laid before us.

I wonder if you could spell out for us what progress you anticipate will be followed in the broader task force analysis of welfare reform that was mentioned by the President? I think it would be useful to the subcommittee to have—to the extent that you know it at this point, because we recognize it is early—some knowledge of the way in which this is going to be undertaken, the scope of the study, the timetable or hoped-for timetable. And in particular, is there a way in which this subcommittee—which has so much of a stake in this issue—might be able to interface with the study as it goes forward?

Ms. ROSS. At this particular point in time, a lot of the details—in fact, I would say most of the details of how the study is going to be undertaken—have not been worked out or firmed up in terms of the process itself.

The information I have is very similar to the information that all of us have gleaned from the President's State of the Union remarks and press stories subsequent to that State of the Union Address.

It is very clear that the President, as the chairman indicated earlier, is intending to focus on the family in the study and to look at the welfare system from the standpoint of promoting work. He said in his State of the Union that we should not have a welfare system that degrades the moral value of work, so we feel very strongly that work will be a very strong component of the study.

In addition, the study will cover the gamut, I think one would say, of welfare issues—financial, educational, and social concerns—covering such things as cash assistance programs, health programs, food programs, housing, social services, and education and training programs as well.

Mr. GRADISON. Well, that is very helpful to know. In that context, then, the involvement of our subcommittee would be very important, but there would be a lot of other committees and subcommittees in this House which would also have a stake.

I was around at the time that President Carter made his recommendations on welfare reform and the legislative approach that was used here in the House in attempting to deal with that major group of recommendations was to set up a special committee which was chaired by former Congressman Corman of California who, at the time, was chairman of this subcommittee.

And we had, as members of that special committee or task force—I think it was actually called a special committee appointed by the Speaker—some of the members of other committees, for example of Agriculture because of the involvement of food stamps, and Education and Labor as it involves education and training and minimum wage, and so forth, and ultimately, the whole thing broke down because of the inability to gain consensus here. That is just the reality of what we were dealing with.

But, I would encourage you to reach out, to the extent that it is possible, even in the early stages of the development of the work plan for this task force of the administration's, to the various committees and subcommittees in both Houses of the Congress, because I think that to the extent that there is an awareness of what process you are following, perhaps an opportunity to make suggestions, there is a greater likelihood at the end of the line that the recommendations will have some chance of gaining legislative success.

In the instance of the last major attempt at welfare reform, it just failed. It just fell by the wayside. Some felt that that was because it was too massive an attempt and that something more incremental might have a better chance. And we broke down in major disputes over such important but esoteric issues as the extent to which grants should be in cash or in kind. I do not mean that is a minor issue, but it is not precisely the sort of thing that we are talking about here this afternoon.

You mentioned briefly that the work opportunities programs have shown results. Can you give us more details now or later, for the record?

Ms. Ross. Yes; I could give you some details now and submit more lengthy information if you would like, for the record.

Mr. Gradison. I am sure that would be helpful to the members of the subcommittee.

Ms. Ross. We have a number of demonstrations that have been conducted during the last 4 years and we have a number of results from State programs that are not demonstrations, and I would be pleased to share with you some of the findings that we have from those.

In the State of South Carolina, for example, where they operate a Community Work Experience Program, they found that the job placement rate for people who participated in CWEP, as compared to the comparison group, was about 3 to 1. In other words, the placements for CWEP participants increased 22 percent as compared to 8 percent for the control group.

At the same time, 58 percent of the participants indicated that they obtained their jobs directly as a result of their CWEP experience, and 46 percent indicated that their work was related to the kind of activities that they did when they were participating in Community Work Experience.

In North Carolina, a county comparison showed that recidivism for people who left the rolls because they found unsubsidized employment was 18 percent for the non-CWEP counties, compared to only 8 percent for the CWEP counties. So we saw a much lower rate of return to the welfare rolls as a result of the CWEP experience.

In addition, in a demonstration in the State of Washington we found, in looking at the control group versus the group participating in Job Search and Community Work Experience, that Job Search increased placements to 39 percent versus 14 percent for the control group, and placements were 30 percent for CWEP versus 14 percent for the control group. So there were substantial gains there.

The recent research that I think everyone has heard about and read about is the research that I referred to in my testimony done by the Manpower Demonstration Research Corp. I understand they are testifying later today, so I will not go into a lot of detail. Let me just say that their finding from the San Diego project and the Arkansas project revealed very beneficial results—showing gains of about 20 percent for people participating in Community Work Experience and job search versus the control group. And, in Arkansas gains of about 33 percent were made versus the control group.

We have other data that I would be delighted to submit for the record.

Mr. **Gradison**. Thank you. I think that would be helpful.

[The following was subsequently received:]

In addition to the reports on the effect of work programs on employment and welfare dependency and the cost-benefit analysis of these programs, included in my testimony and testimony from MDRC officials, we also have a number of studies dealing with the reaction of State agencies, participants and the public to these programs.

In surveys conducted in West Virginia, about 80 percent of the CWEP participants were satisfied with their CWEP assignments and the CWEP requirements. Sixty-seven percent of the supervisors and 81 percent of the participants felt the CWEP work was necessary. Supervisors rated CWEP participants the same or better than regular, new employees in terms of job performance, attendance, behavior, job skills, and maturity.

Surveys in San Diego showed that 95 percent of the CWEP participants felt that work requirements were fair, and 91 percent were satisfied with their assignments. Eighty-eight percent of surveyed supervisors felt that the work performed in CWEP was important to their agencies and not "make-work."

Similar findings were obtained in surveys in Maryland, where 29 out of 30 supervisors considered the work performed under work experience to be a necessary part of their day-to-day business. The majority of participants believed work requirements were fair.

In Virginia, 72 percent of supervisors and 91 percent of participants responding to a survey indicated that they felt the CWEP work was necessary. Twenty-two of 25 CWEP participants interviewed were satisfied with their benefits being tied to work.

Surveys in counties which operated a CWEP program in North Carolina showed significant improvements in public attitudes about AFDC and about welfare recipients' willingness to work. For example, before CWEP, 77 percent of those surveyed believed that AFDC recipients were willing to work for their benefits; after CWEP, 84 percent did. Also, after CWEP, fewer residents believed too many people received AFDC.

The North Carolina demonstration also found no evidence that CWEP caused displacement of regular employees. In fact, during the demonstration project, CWEP sponsoring agencies increased their number of positions and showed very low vacancy rates.

The MDRC reports in general found that work program implementation went smoothly. Many programs were able to achieve significant participation rates. Also, child care did not end up being the obstacle that some anticipated. In many cases, participants succeeded in making their own arrangements for child care, and child care budgets were not fully utilized.

Mr. **Gradison**. Thank you for your testimony.

Thank you for this opportunity to inquire, Mr. Chairman.

Chairman **Ford**. Thank you, Mr. Gradison.

Mrs. Kennelly.

Mrs. **Kennelly**. Thank you, Mr. Chairman.

And please excuse me, Ms. Ross, for being late. I got caught in that vote.

I had a number of commissioners meet with me yesterday, Maine, Michigan, Tennessee, from across the Nation, more or less. And they were really quite excited by some of the things they thought they could do now.

But their whole thrust to me yesterday was that they would not be able to do the things that they seemed to be able to do now, or make the progress that they have made—continue to make that progress—if WIN is cut. And one after the other would cite to me the program they were working on and how they were putting in the WIN piece and how if WIN was reduced or eliminated, they would have to go to their legislators to make up the money and could not go forward. They would probably have to go backward.

How would you answer those concerns?

Ms. Ross. Well, we believe that under our proposal States would be able to do most everything they are doing now because the proposal does include four different options in terms of the kinds of things that States could do.

In terms of the funding, as I indicated, we have an open-ended match in AFDC and we would fund the programs at 50 percent. The WIN Program, as you know, is a fixed appropriation. It provides a 90-10 match, but it is a fixed appropriation, as opposed to the open-ended match.

Currently, about 250,000 people are involved in some kind of work activity funded by a combination of WIN and AFDC dollars, totaling about $315 million. Under our proposal, we would anticipate 400,000 participating in the first year, although only 300,000 would be required to, at a total cost of about $400 million. The $400 million in total expenditures and the $200 million Federal share that is included in the budget for 1987 are estimates, because it is an open-ended 50-50 match.

Mrs. KENNELLY. And this progress can continue to go forward, even with the fiscal 1987 budget looking like it might look?

Ms. Ross. We believe that it can, because of the results from the kinds of options that we have put in, like Job Search and CWEP. If we look at the results that I was just explaining to Mr. Gradison, in terms of the cost versus program savings, the States would experience overall savings as a result of putting into effect our options. There is always some up front administrative cost. You are absolutely right when you make that point, and the States have certainly experienced that. But if we look at what has happened in the States that are operating Community Work Experience or Job Search Programs, which are two of our options, the programs have more than paid for themselves.

Mrs. KENNELLY. Well, I hope as we go down the line we can, Mr. Chairman, get some of these commissioners from across these United States here because they did not feel as confident as you do by any matter of means. In fact, there was a great sense of frustration in what they had to say. They really felt that here, on one hand, they are being told to go ahead with work-type programs to get people off welfare, and that they would work.

On the other hand, the amount of dollars that they were going to receive from the Federal Government was being reduced and it was just totally counterproductive. And I really felt a great deal of frustration on their behalf.

So I hope as we move along, we can see if we can bring these two concerns—they have a great concern and you do not seem to have that concern, so maybe we can get together on this.

Could you cite for me the State programs that you think could continue to go on as they exist now under what the administration is proposing? Have you got some programs we can cite?

Ms. Ross. I could provide you a comprehensive list for the record. Off the top of my head, there are 39 States doing a number of different things.

For example, the State of Pennsylvania which operates a statewide program largely composed of job search and community work experience components. I would think Pennsylvania would be able to substantially continue what they are doing. That is one example.

I could cite others, but the danger in doing that, of course, implies others cannot and I would prefer to submit it for the record if that is agreeable to you. We will give you the information you request.

[The following was subsequently received:]

The following State programs, currently being operated by welfare agencies, could continue under the Administration's proposal (some with small procedural changes): CWEP programs in Alabama, California, Colorado, Georgia, Idaho, Illinois, Iowa, Kansas, Michigan, Minnesota, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Vermont, Virginia, Washington, and West Virginia; Grant Diversion programs in Arizona, Colorado, Connecticut, Florida, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, Oregon, Texas, and Vermont; and Job Search Programs in California, Georgia, Kansas, Maine, Maryland, Massachusetts, New Jersey, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Texas, Utah, Vermont, Virginia, and Washington.

Also, a number of States, including Arkansas and Delaware, are operating job search or work experience programs under WIN Demonstrations which are similar to CWEP and which appear approvable under the new authority provided under the proposal.

These kinds of programs clearly would be approvable. Furthermore, under the proposal, a State could ask the Secretary to approve additional activities of its own design.

Mrs. Kennelly. I, as I said, was not here for your testimony. Did you refute some of the GAO contentions in its report, or do you plan to?

Ms. Ross. I did not address the GAO contentions in my testimony. But if you would like for me to talk about it, I will be happy to.

Mrs. Kennelly. Well, I think we are going to—if you could submit them maybe to the committee, because if you read through that report and see what they say, what they reported to Congressman Ford, we are once again talking at cross purposes.

Some of the things that your written testimony says are all right. GAO says no. I mean, we just cannot use this type of information, to come out and say yes, we can continue with the administration's proposal. Yes, the administration's proposal will work. They just do not seem to feel they have that information.

So I think it would be helpful to us if you could critique the GAO report.

Ms. Ross. I would be happy to submit something for the record.

[The following was subsequently received:]

MONITORING PRACTICES

The GAO report suggests that monitoring of demonstration projects by OFA project officers is haphazard.

Our monitoring is systematic, thorough, and rigorous. Each project submits quarterly progress reports which are carefully reviewed by program staff. OFA Project

Officers routinely confer with State and local project managers regarding project operations and problems. Despite limited travel funds, OFA staff have conducted more than 60 site visits to work program demonstrations since 1981. Almost all site visits are documented by trip reports presenting accomplishments, problems, and recommendations for improvements. Normal practice is to visit each major demonstration at least twice yearly, more frequently if necessary. Where we have determined that the demonstration is of high priority or of national importance, we devote extra resources to monitoring. For example, we made seven monitoring trips to the two Work Saturation projects within their first year of operation, and more are scheduled for this year.

ADEQUACY OF DATA

The report claims that insufficient information is available to judge the effectiveness of work programs.

The amount and rigor of evaluation information available or emerging from OFA demonstrations is probably unprecedented in government-sponsored research into employment and training programs. None of the major evaluations of the largest employment and training programs (e.g., CETA and WIN) were based on experimental research designs. Eleven OFA demonstrations use experimental designs. Where such designs are not feasible or appropriate, our demonstrations use comparison groups or areas, or provide process information or other descriptive findings. And the findings from demonstration projects do support the feasibility of the Work Opportunities Initiative.

Our Work Saturation Demonstrations in Pennsylvania and California are demonstrating the requirement to have 75-percent participation rates. Both projects are reported to be operating smoothly and meeting or exceeding expected goals.

Project results also indicate that work programs increase employment and decrease welfare dependency. In San Diego, where the program involved only applicants, welfare expenditures were reduced by 8 percent for AFDC-Basic and 14 percent for AFDC-UP. In Arkansas, where AFDC-Basic applicants and recipients were included, the reduction was 11 percent. And the findings from these studies indicate that the most disadvantaged groups—those who have little recent work experience or lack a high school diploma—make the greatest gains in employment. This finding disputes the GAO assertion that de-emphasis of education and training components hampers State efforts to deal with the least employable AFDC recipients.

Ms. Ross. Last summer I testified before Congressman Weiss' Subcommittee on Government Operations here on the House side specifically on the report that GAO did for that subcommittee. And I had rather lengthy testimony that I would be happy to provide for you, which dealt point by point with as much information as we had prior to the hearing.

I can also see what other information we have. We are very familiar, obviously, with the work GAO did. And we do not accept what GAO says and, in fact, we provide refutation for the points made in that report.

[The following was subsequently received:]

STATEMENT OF JO ANNE B. ROSS, ASSOCIATE COMMISSIONER FOR FAMILY ASSISTANCE, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES

I'm pleased to appear before the Sub-committee today and particularly to have this opportunity to share my perspective, as the administrator for the Aid to Families with Dependent Children Program, on a major goal of this Administration -- promoting self-sufficiency for welfare recipients.

As expressed in the statute, the purpose of AFDC is to enable States to furnish financial assistance to needy dependent children and their parents, and to help these parents attain or retain capability for their maximum self-support and personal independence. If you asked the average person what the purpose of AFDC is, most everyone would tell you the first part -- that AFDC should help parents with children meet basic financial needs. Few people would go on to address the second part of the AFDC mission -- the obligation to foster self-support.

Somewhere along the way, I think we lost the very important distinction that it's okay to be on welfare if need is there, but it's not okay to stay there if you have other options. We let AFDC become a program that permitted able-bodied adults to choose welfare over work. This is not a choice Congress intended. Nor is it one that society supports. Until 1981, AFDC, or welfare, was viewed and operated almost solely as an income transfer program.

We did a very good job of proving we could respond to a family's financial crisis with regard to timely and continual issuance of benefits. But we were far less successful in fostering financial independence and promoting work efforts. And that's what I want to spend my time discussing today. Welfare recipients, not surprisingly if you think about it, are like everyone else. They feel the need to work and contribute to society as strongly as any of us. The Administration's proposals were designed to provide them with the opportunity to do so.

In 1981, this Administration put forth legislative proposals to refocus the program and emphasize self-support. The Omnibus Budget Reconciliation Act of 1981, or OBRA, contained a number of provisions which centered on three major themes: Targeting assistance to those most in need, improving program administration, and stregthening work requirements.

As a result of the OBRA changes, States, for the first time, were allowed to require able-bodied recipients who did not have young children to participate in Community Work Experience Programs, or CWEP. Under CWEP, welfare agencies assign AFDC recipients to work in public or private non-profit agencies.

The recipients provide public service and acquire work experience in exchange for their benefits. The maximum number of required hours of work is determined by dividing the welfare payment by the minimum wage. By the way, required hours of work is an important distinction, because we've found that many CWEP participants voluntarily work longer hours. It's also important to point out CWEP participants are serving in a variety of jobs that cover the gamut of the workforce such as secretaries, data processors, paramedics and policemen to name a few. Since October 1, 1981, 22 States have implemented CWEP, seven on a statewide basis. And currently, more than one-fifth of the nation's counties have CWEP.

OBRA also created the WIN Demonstration Program, which allowed State welfare agencies to take over administration of Work Incentive programs. Twenty-three States have elected to transfer WIN from the employment agency to the social service agency, and many of these programs are using innovative approaches to help recipients enter the workforce.

- In 1982, the Tax Equity and Fiscal Responsibility Act, or TEFRA, provided States with the options of requiring Job Search of AFDC applicants and recipients. Under Job Search, States are able to help individuals prepare for and find employment by providing a range of services that can include interviewing techniques, methods for identifying jobs and instruction in

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completing job applications. Twelve States currently operate Job Search programs for recipients, and nine States require applicants to participate.

Finally, last year, in the Deficit Reduction Act, or DEFRA, Congress allowed States to operate Grant Diversion programs which pool the welfare benefits of a number of recipients to provide wage subsidies. Eleven States currently operate such projects.

These legislative changes are important, because of what they mean to people -- and I'd like to share with you my perspective on what these programs mean to the people you and I serve. For over 2 years, I've been talking about exciting things going on in welfare work programs. At first, I got the information for my message from the usual sources: statistics, reports, press stories and staff briefings. All of the things I was reading, hearing and telling made it clear to me that there was an untold story behind all of the facts and fiqures --a fundamental change in how we view our job of serving the recipients was occurring, and it was a change with far-reaching consequences--and I decided I wanted to see it for myself.

I began to travel around the country visting work program sites and talking with the people who are making it happen. What I found reinforced in a dramatic and personal way the extent of the changes in attitudes that's been taking place over the past few years.

I think we're witnessing a major shift in the debate about the nature of social welfare policy and about what kind of help really helps people. I also think the Administration's emphasis on work programs is the genesis of the change in attitudes and expectations about work and welfare.

For example, my visit to one local welfare office started with a briefing from the work program staff. Their opening dialogue went something like this: "Jo Anne, we want you to know that when our State legislature was considering the Community Work Experience legislation, we fought it tooth and nail. We were absolutely convinced it could never work. We thought it was a punitive program that only hurt the recipients. We wanted to tell you this up front because we're here today to tell you we've done a complete reversal because of the results of our program."

They went on to say that people were not only gaining skills and finding jobs, they were also finding a new or renewed sense of pride and self-worth. And they were using their new-found confidence and abilities to take responsibility for their own lives and economic support by moving into unsubsidized jobs.

That issue of economic dependence versus independence is certainly nothing new to anyone here today. It's been debated, discussed and written about for years. The advent of work programs has provided us with an opportunity to take action and realize the benefits of economic independence. That's what work programs are all about--helping people choose economic independence and breaking the cycle of welfare dependency.

The work ethic that shaped our nation and drives our lives is alive in AFDC recipients. The fact is they feel the need to work and contribute as strongly as any American. The problem is they lack some of the essential tools. Usually, when you and I speak of tools, we're talking about skills and equipment. But in this case, we're also talking about something far more basic--about motivation and self-confidence.

A twenty-six year old woman I talked with told me she had been on AFDC since she was 17 years old. She'd never worked because she didn't think she had anything to offer. Through CWEP, she'd been working in a clerical position in a State office. In four months, she had learned to type, to file, and to answer the telephones. She said, "I never thought I could even get up every day and catch a bus, much less get up every day, catch a bus and go to work. Now I know that if no one showed up in this office tomorrow, I could run it all by myself for the day."

You see, we have no corner on the work ethic, and we never have. It's simply that, finally, the work ethic has become an operating principle in the welfare system. It is only in the last three years, with Community Work Experience, Job Search, Grant Diversion and WIN Demonstrations, that for the first time, welfare agencies have an opportunity to get

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involved and begin doing what the purpose section of the AFDC law has said since it was enacted: To help adult recipients attain and retain capability for maximum self-support.

The charge today is to use that opportunity for positive change. The Administration's Welfare Work Opportunities proposal provides that opportunity. Our proposal which was recently introduced by Senator Roth and is being introduced by Representative Campbell today, embodies a workable, fair and responsive approach for assisting AFDC applicants and recipients in their efforts to become self-sufficient. It would replace the current WIN program which has failed in involving large numbers of recipients in work activities and has not dealt effectively with recipients without recent work experience or job skills.

Under our proposal, for the first time, all States would be required to have work programs in which all able-bodied AFDC applicants and recipients would be expected to actively participate. However, States would have the flexibility they need to design programs which meet their local needs and constraints while providing the maximum help to recipients. In addition to work activities such as the Community Work Experience Program or CWEP, grant diversion, job search and Job Training Partnership Act or JTPA training, States could design alternative work-directed activities or develop innovative projects using demonstration authority.

The Work Opportunities proposal replaces the Work Incentive Program with a program which places primary responsibility with the welfare agency. Federal funding for the first year would be set at $145 million, with funding for future years increased to accommodate higher levels of participation. The amount provided to individual States would depend upon the number of employable AFDC recipients in that State. States would be given a three-year phase-in period to achieve a participation rate of 75 percent. We would continue to exempt from this requirement individuals such as the aged, disabled, and those who face special responsibilities for providing care at home.

This proposal would result in a net Federal AFDC savings of $52 million in FY 1986. These savings would be achieved without any decrease in benefit levels. Rather savings would be realized from the success of individuals becoming self-sufficient--a goal we all share.

The Work Opportunities proposal builds upon successful State work programs made possible by the changes in OBRA, TEFRA and DEFRA. In addition to those work programs which I've already described, State welfare agencies have undertaken thirty eight special demonstration projects to test and research innovative work program approaches. These include 11 model CWEP programs, 10 grant diversion demonstrations and 6 programs designed to increase the employability of women with children under age six. The experience from the States provides strong and consistent evidence for this Administration's belief that work programs work; they are fair; and they help recipients.

Our experience to date shows:

- Work programs can be successful with large numbers of recipients. For example, in a San Diego work program that combines job search and CWEP, of the nearly 5,000 welfare recipients expected to work, over 90 percent found jobs, left the rolls or completed the program within 9 months of entering the program.
- Adequate child care is available. Many States have found that they greatly overestimated the need for them to provide this service. They found that many recipients, like working mothers throughout the country, were able to identify and secure child care services on their own. Where recipients could not find these services, States have found innovative ways to meet the need. For example, in Idaho, CWEP workers' hours are arranged so that one day a mother watches another's children while the next day they trade places. In South Carolina, for each nine CWEP participants placed at a day care agency, 25 day care slots become available for children of CWEP workers.
- The public, sponsors and participants support work programs. Surveys of sponsors and participants have consistently shown that work site managers and participants alike feel that the

programs provide welfare recipients the opportunity to make meaningful contributions to the workforce while fostering their self-esteem and pride.

In addition, these programs have gained broad public support. Polls in San Diego and North Carolina showed that nearly 90 percent of the public supported work activity for welfare recipients. Even more striking, surveys have consistently indicated that program participants overwhelmingly agree that work requirements are fair. Finally, evidence from North Carolina indicates that the institution of a CWEP program resulted in improvements in public attitudes about the welfare system and welfare recipients.

- Administration of the work program belongs in the welfare agency. Evidence from the first year evaluation of the WIN Demonstration strongly suggests that the most successful States are those where the welfare agency has the primary responsibility for work programs. These agencies are in the best position to continuously involve AFDC recipients in work activities from the point they enter the system. In addition, welfare agencies ensure that the most disadvantaged individuals receive the attention they need and deserve, and don't get lost in the shuffle.
- Work programs promote self-sufficiency and reduce welfare dependency. For example, in San Diego, 52 percent of the mothers participating in job search and CWEP found jobs--an employment rate 25 percent higher than the rate for

non-participants. In a smaller Washington State project, employment rates for job search and CWEP participants were twice as high as rates for non-participants.

In South Carolina, where pilot CWEP demonstrations were conducted in two counties, gains in employment for CWEP participants were dramatic. Overall employment rates for CWEP participants were almost three times those of non-participants, 22 percent versus 8 percent. Equally important results have come from North Carolina: recipients in counties operating CWEP who left AFDC were more likely to remain independent than those in counties that had not implemented the program.

- Participation must be mandatory. For example, in one project in the State of Washington a mandatory job search program was run in half the counties, and a voluntary one in the other half.

In the mandatory counties, significantly more recipients achieved self-sufficiency than in the voluntary counties where participation was virtually non-existent. Mandatory programs serve more people, and reach individuals who have low expectations of success but high potential -- the very individuals who benefit most from these programs.

In a conversation I had with one women who participated in CWEP, and then was hired for a full-time job, I asked what she liked about the program, what she didn't like, what she would change if she were in charge. Her response was, "I only have one thing to say. This program absolutely has to be mandatory." As you may have guessed, that wasn't exactly the response I'd anticipated, so I asked her to elaborate. She continued by saying, "You see, if it hadn't been mandatory, I never would have participated. I've never really had a job other than doing pick up waitress work now and then, and I'd been in a couple of job taining programs which led no place. So I would've opted to stay home every day if you hadn't made me work. And just think what I would've missed. I'd never have gotten the experience to get this job."

AFDC is a program that deals with people and people's lives, and by its very name, exists to help dependent children. Over the long-term, I know of nothing better we can do for these children than help their parents become good role models, as productive and contributing members of society.

We can't quantify things like self-esteem, pride in a job well done or the thrill of getting your first job. But we can certainly see the very real benefits that flow from them.

As I said in my opening comments, the AFDC program has two stated purposes. Our first responsibility is to deal with a needy family's immediate financial crisis. Our second responsibility is to help individuals achieve economic self-sufficiency. Our success in meeting this goal must be the cornerstone of any long-term solution to the problem of women in poverty. Our work programs offer hope for the future through increased job opportunities and improved self-esteem. When I asked one young woman what she liked best about CWEP she said she liked the fact that when she got up in the morning and her son asked, "Mom, are you going to work today?" she could now answer "Yes."

That's what the Administration's Work Opportunities proposal is all about.

Mrs. **Kennelly**. That would be very helpful. I just have one last question.

In the wonderful publicity really we have about doing welfare reform and the many articles we have read and the amount of conversation that has come forth, we see definitely that to make welfare work programs work there are two elements that have to be present. One obviously is day care and the other is meaningful job training for meaningful jobs.

Now from your testimony, which I did not hear, you feel that the administration's proposal with the number of dollars recommended, that this can be done? I think we know we have to have day care, we know we have to do job training.

Ms. **Ross**. We require day care be provided and we address that in our proposals; so we share your concern about that, and we do require it. Day Care can be provided in a number of different ways, and we do match for that in the AFDC funds.

Mrs. **Kennelly**. Does the budget match with the provision that it has to happen?

Ms. **Ross**. I am sorry. I had a hard time hearing you.

Mrs. **Kennelly**. Does the budget, the administration's budget, and the requirement come together so it is possible, in the real world?

Ms. **Ross**. Yes; I think the thing I need to point out again is the estimate—the number in the budget, the $200 million is our estimate of the Federal funds that would be spent on work programs through an open-ended 50-50 match. This estimate takes into consideration the costs of support services, cost for things like day care, transportation, and those types of things.

So yes; it is included to the best of our estimating ability.

Mrs. **Kennelly**. Thank you, very much.

Chairman **Ford**. Mr. Matsui.

Mr. **Matsui**. Thank you, Mr. Chairman.

Ms. Ross, I am sorry that I was not present during your testimony and I appreciate the written part and I will look it over after I leave this meeting.

But I do want to apologize to you.

With respect to the Domestic Policy Commission that will be chaired by the Attorney General, Mr. Meese, have they had any meetings yet?

Ms. **Ross**. To my knowledge, Mr. Matsui, they have not, but that does not mean that they have not.

Mr. **Matsui**. I understand that. I should point out that comments are directed to you regarding your own knowledge, obviously.

Have they made any contact with your office, in terms of getting some information and assistance, perhaps, at this time?

Ms. **Ross**. In the context of the President's Welfare Reform Study?

Mr. **Matsui**. Yes.

Ms. **Ross**. No, sir, they have not, although Secretary Bowen did indicate, when he spoke to the Governors at NGA this week and also at other public appearances he has made since the State of the Union, that he expects our Department, as a whole, to be intensely involved in the study, and I am simply waiting to get word from Secretary Bowen about how that will proceed.

Mr. **Matsui**. At this time, I take it then, in your Department, there are no discussions going on as to what kind of goals you would like to achieve, what kind of guidelines you are looking at to achieve those goals and what parameters we are talking about? Are any of those discussions going on at this time, in terms of making recommendations to the Commission if and when they should seek your assistance?

Ms. **Ross**. Not in the context of the President's Welfare Reform Study. We have not gotten a lot of specific guidance, in terms of exactly how the President expects that to proceed or the procedure for submitting those kinds of things. Obviously, our Department is constantly looking at those kinds of issues, but specifically targeted to this welfare reform initiative, no, sir, we have not.

Mr. **Matsui**. I understand that the report is due on December 1, so we are talking about 10 months I guess before we have that available to the Congress and to the American public.

Do you know who will be working on the information that will be provided to the Commission from your office and from HHS? Has that been discussed?

In other words, do you have a liaison person named already?

Ms. **Ross**. We do not have a liaison person named, to my knowledge. And in fact, as I said, I accompanied Secretary Bowen to NGA this week where he addressed that issue in his remarks. And again, he just indicated on a broad scale that our Department would be involved. Obviously, we want to be as helpful as we can and provide whatever information and resources we can to the committee that will be operating under Mr. Meese who, as we understand it, by virtue of being chair of DPC, will chair the effort.

But no, we do not have any specific liaison identified at this time. And in fact, I myself, am quite anxious to learn what my involvement will be.

Mr. **Matsui**. So at this time, as far as your knowledge is concerned, there has been virtually no—well, not virtually, but no contact from the Domestic Policy Commission or the Attorney General to you or your office or Department regarding this issue?

Ms. **Ross**. Regarding the President's welfare reform study, no.

Mr. **Matsui**. Interesting, very interesting.

Do you equate, as the President did recently, the Massachusetts ET Program with the President's workfare program that he originated in California when he was Governor? Would you say they are comparable and similar?

Ms. **Ross**. I think the thing we have to keep in mind is the term workfare, which has been around for a long time. In 1981 when I came to the Office of Family Assistance, workfare was used to refer to one specific kind of activity, which is Community Work Experience.

Since that time, as I think we have all seen in the press, it has taken on a more generic meaning and connotation for public consumption, meaning all the welfare work programs that are going on in all the different States.

Time magazine, just a few weeks ago, ran an article and talked about workfare and specifically mentioned a number of States, Massachusetts for one, which do not have a CWEP component.

So are you talking about workfare in that generic kind of a context, Mr. Matsui?

Mr. MATSUI. No; I was just talking about the fact that the President, some weeks ago, said that the Massachusetts' ET Program was comparable to his workfare program when he was Governor of California. In fact, he said that that was the forerunner of the ET Program and I was just wondering whether the department—that is, you—feel that the President was accurate in making that statement that they are comparable programs.

Knowing what the California program was and knowing what the Massachusetts program was, would you say they are comparable programs?

Ms. ROSS. That was the point I was attempting to make about workfare. The President was talking about workfare, I think, in the generic sense when he spoke about that at the press conference. And in fact, as I mentioned, Time magazine referred to ET as a workfare program.

In terms of what specifically happened in California, under the President, I am not from California and I am not personally familiar with that, but obviously ET does some things differently. I am sure they do.

In fact, if you ask me to compare any two States across the country, everybody does something a little bit differently.

Mr. MATSUI. I, frankly, thought Mr. Speakes was the only one that could recreate and make modifications to the President's statement, but it is a little like calling the MX missile the Peacekeeper, I suppose.

You know, one thing that really troubles me is you are phasing out—I am assuming that these are your recommendations, but the WIN Program is being phased out. And a State like California which is moving into the GAIN Program which is a program to—as you know—to train welfare recipients and find them transportation and also provide for day care assistance.

They need those Federal funds, the WIN funds, in order to maintain this program. We have estimated, from California, that we will lose by the 1987 fiscal year, some $62 million if, in fact, WIN money is eliminated.

How are we going to make up that money to actively pursue this program? Have you given some thought to that?

Ms. ROSS. As you are well aware, the California program is very new. In fact, it is not really up and running. And I will attempt to address that particular question, but also I am not an expert on the California program. Linda McMahon is going to be on the panel after me, in terms of addressing California specifically.

The California program has a variety of things that are included in it, and a schedule of activities that participants would go through. They would basically start with Job Search and then move—if they do not succeed in finding a job through Job Search—into an assessment phase followed by the possibility of some kind of education activity. An education activity maybe concurrent with Job Search or with Community Work Experience, what California calls PREP.

The things that California wants to do would largely be fundable, as far as I understand their program at this time, under our proposal. And it would be matched at a 50-percent rate.

Mr. **Matsui**. Well, I want to thank you.

By the way, you do not know much about the President's workfare program then, when he was Governor, is that my understanding?

Ms. **Ross**. No; I really do not. I mean, obviously, I have heard about it and read about it as much as everybody in this room, I guess.

Mr. **Matsui**. Thank you.

Chairman **Ford**. Mr. Pease.

Mr. **Pease**. No questions.

Chairman **Ford**. Thank you.

Ms. Ross, I only have a few questions for you at this time.

The administration's proposal emphasized job search and work activities. It places very little emphasis on education. I just want to raise one question. Is not a high school degree essential to that person or those who are recipients of welfare being placed in the work force? Is it not connected to the employment market itself?

Ms. **Ross**. I think obviously, it is a good idea for a person to have a high school diploma, because it guarantees—at least one hopes it guarantees—they have some basic education skills in terms of doing basic math and reading and those kinds of things. There are people who do have jobs, I am sure, that do not have high school diplomas, and we recognize the value——

Chairman **Ford**. But I think we have seen the trends and we have seen information to support it that those without a high school degree or trained with some proper skills, it is very difficult to place them within the work force, even those who are not receiving AFDC or welfare benefits today.

Ms. **Ross**. I do not have that kind of specific data, Mr. Chairman, but certainly——

Chairman **Ford**. Do you mind if this committee supplies you with that kind of information that we have received?

Ms. **Ross**. No; I would be delighted to get it.

The kind of data we have about education related to AFDC particularly, and certainly our data does not look at the whole welfare system, indicates that about half of the mothers on the AFDC rolls have their high school diplomas.

I was going to comment that we would encourage people to get their education. We think that is a good idea. However, we do not think that education should be pursued at the exclusion of work activities.

Chairman **Ford**. You know, the President talked, in the State of the Union Message, about the independence of the welfare system itself. Now this workfare program that you have testified about once again today before the committee is nothing new. This is something that you have been—the department or the administration has been talking about now for 4 or 5 years, is that correct?

Ms. **Ross**. Not exactly, Mr. Chairman. There is a piece of it that we have been talking about for 4 or 5 years.

Chairman FORD. What changes do you see? How have you highlighted it to blend in or to complement what the President has talked about in his State of the Union Message?

Ms. ROSS. Could I address how our proposal has evolved over the last 4 years?

Chairman FORD. Sure.

Ms. ROSS. Four or five years ago, the administration proposed a mandatory Community Work Experience Program and that was the proposal for 3 years. And then last year we came forth with this proposal which made major changes in that approach by providing other options, including job search, grant diversion or subsidized employment and any training that is funded under the Job Training Partnership Act.

Chairman FORD. What is job search, then?

Ms. ROSS. Job search can be a variety of things, Mr. Chairman. And we see a variety of activities, in the States. Some States have individualized job search. Some have job clubs with a very heavy support component from the group. I attended one such session myself in Texas last year because I wanted to experience firsthand what——

Chairman FORD. Do any of those programs have education or training in that Job Search provision of their program?

Ms. ROSS. Well, they do a kind of training. For example, the one that I attended in Texas, they teach the people how to fill out application forms. They teach them how to interview, how to market themselves.

Chairman FORD. Job training, though. Job training and education. I am not speaking of job application, placement or whatever. But job training.

Ms. ROSS. The job search component itself, traditionally, I would think would not have job training in it, no, Mr. Chairman. It is the option or the piece of the program that looks at actually trying to find employment right now.

I would add it has been extremely successful in the studies that have been conducted, that I referred to while you were out of the room. In San Diego job search had a significant effect on the increase of placements. And in Massachusetts, in fact, it is my understanding from the State reported numbers, about half of the placements in ET occur through and as a result of job search.

Chairman FORD. Let me ask you, Ms. Ross, should we require school attendance as a part of eligibility for AFDC benefits?

Ms. ROSS. Well, I think, Mr. Chairman, that is a very interesting concept. In your opening remarks you talked about the CBS documentary on the vanishing black family, and we have read in the papers over the last month the articles by Leon Dash and articles on similar situations. And, admittedly, while this is not necessarily statistically representative information, it gives us a picture of the problems in certain parts of the population, particularly with teenage girls. And I trust that that is the issue you are addressing here, when you suggest requiring education.

I think that in light of the fact that almost half of the people on AFDC, only half, have their high school education——

Chairman **Ford**. How is that possible—wait a minute. How is that possible, when two-thirds of AFDC recipients are children? How do half have diplomas?

Ms. Ross. Excuse me. I am talking about the mothers, or the caretaker relatives, Mr. Chairman.

Chairman **Ford**. You said half of AFDC recipients.

Ms. Ross. I did not mean to say that. I meant the heads of households.

Chairman **Ford**. I heard that in the CBS documentary.

Let us talk about the AFDC Program and not let us get confused about half of the people are lazy and will not work and all when two-thirds of the people happen to be children that we are talking about.

Ms. Ross. No. I was suggesting almost half of the heads of households. I appreciate your clarifying that because I did not mean to suggest that.

I was going to say that the reason that your suggestion takes on particular importance when looking at the AFDC rolls is that at any given point in time about 7 percent of the people on the AFDC rolls are teenage mothers. However, at the same time, about half of the mothers on AFDC bore their first child as teenagers. They are not teenagers any longer; they may be 30 years old or older.

I think that your concern about education is certainly a valid one. And that is something I would be very interested in exploring with the committee, based on what we know about the AFDC caseloads.

Chairman **Ford**. I would hope that the administration would—you focus on the adult recipients, but I would hope that this administration would not lose focus of the children who make up approximately two-thirds of all recipients of AFDC. And if we are serious about breaking the cycle for those who are trapped into the poverty welfare system, then I think that we have to focus a lot of our attention on the children who are recipients.

And even the documentary that we have seen and the witnesses who have testified, everybody talks about the adult recipients. And for some strange reason, we leave the majority of the AFDC recipients totally out of the picture.

And hopefully, we can focus on the children. And as we work together in the next 6, 9, 12 months in trying to report some legislation to the House of Representatives, I would trust that we would continue to focus on the majority of the recipients of AFDC.

HHS, as well as the Domestic Policy Council has been charged with the responsibility of reporting back as of December 1, 1986, a report for the President.

Mr. **Gradison**. Mr. Chairman, I would just like to mention—thank you, Mr. Chairman.

I would just like to mention it is my understanding under the Job Training Partnership Act that the budget proposal does include money for remedial education for welfare recipients who are in job training under that program. And I just think that is important because somebody listening to this discussion might think there is no money for this purpose and that certainly is not the case.

Thank you.

Chairman **Ford**. Mr. Pease.

If there are no further questions, Ms. Ross, thank you very much.

One final comment, though, I would like to send a message back to your boss, the Secretary.

Ms. Ross. I would be happy to carry back a message.

Chairman **Ford**. Just to let him know that we are disappointed that he could not find time in his own schedule, once again, to make an appearance before the committee. We would like to know what the head of the Domestic Policy Council is doing with and communicating with HHS.

We do not want to wait until December 1 to receive all of the work. I was not here with the line of questions from Mr. Gradison, but I am aware of the question about the Carter welfare proposal. This committee is really trying to stay on track with the Domestic Policy Council as well as HHS.

We know that you are here to talk about the workfare program. But I heard something in that State of the Union Message a couple of weeks ago in talking about profamily and I think the administration opposed the unemployed parent program that is now in the reconciliation bill that hopefully will be brought up before the House and the Senate within the next couple of weeks.

But if not, hopefully, we would think in terms of that profamily provision that the President talked about, that when you talk about profamily and the family structure itself and displacing one member of the unit out of the family, you lose me when you do not talk about placing all members of the family within a unit.

The President also talked about breaking that cycle and I want to try to do that. And we want to work with HHS and this administration in doing so. But we do not want this to come down and be talked about as of December 1 without the subcommittee being prepared to move in with a piece of legislation that would reform the system itself and break the cycle for those who are trapped into the cycle.

Mr. Matsui.

Mr. **Matsui**. Ms. Ross, would you suggest that we do nothing this year because of the Domestic Policy Commission's work and efforts and their not having a recommendation until December 1? What would your recommendation to this subcommittee be in that respect?

Ms. Ross. My recommendation would be, as I said in my testimony, that this is exactly the time to act. And I think, again, going back to the chairman——

Mr. **Matsui**. I am sorry. What was your comment?

Ms. Ross. I said that this is exactly the time to act. I think we need to do something now. I think it is important to make a national commitment. As the chairman said, in his opening comments, this is one piece of a solution to breaking the cycle of dependency. We do not anticipate this is the total answer, by any stretch of the imagination.

So I think in no sense does it preempt or suggest preconceived notions about the larger study that will be released by December 1.

Mr. **Matsui**. In other words, you feel that this is enough of a national emergency that we should proceed ahead, if we have the proper information from you and other sources, to take some kind of legislative action?

Ms. Ross. I think we absolutely should. And, if we go back to something I said earlier, in recalling the comments the President has made over the last few weeks, he said we should do nothing to degrade the moral value of work. And as you said, Mr. Chairman, he has also said, we should judge the success of a welfare program by how many people become independent of welfare.

And I think clearly, that is what our Work Opportunities Initiative does. That is what work programs do. They help people become independent. They are not the total solution to welfare dependency. First of all, everyone who is welfare dependent is not necessarily receiving AFDC. There are a number of public assistance programs providing cash or in-kind benefits.

But I think it is extremely important to act now and to make it a national commitment. We believe—going back to the theme of my testimony—that not only do the recipients have an obligation to become self-supporting where they can, but we have an obligation to help them do that.

And that is clearly government's role, just as clearly as it is government's role to provide assistance to those who cannot take care of themselves.

Mr. Matsui. I appreciate your comments. I yield back to the Chairman.

Chairman Ford. Thank you very much, Ms. Ross, and the committee will be in touch with you.

Ms. Ross. Thank you, Mr. Chairman.

Again, I would like to extend the offer, if there is any information we can provide to you. I am very enthusiastic about your interest in work programs and look forward to working with you.

Chairman Ford. Thank you very much.

The first panel is Charles Atkins, Commissioner from the Massachusetts Department of Public Welfare; Gregory L. Coler, Director of the Illinois Department of Public Aid; and Linda McMahon, the Director of the California Department of Social Services.

We are delighted to have each of you with us today. We welcome you before the committee.

Welfare, welfare reform, workfare, teenage pregnancy, you know, all of those issues pertaining to the welfare system of our Nation are of great concern to this committee. We do not have any legislation that we are working from at this time. We are very interested in the programs that the three States have already implemented. We welcome your testimony today before the committee, and we welcome your presence here with us.

At this time, the Chair will recognize Mr. Atkins who is Commissioner of the Massachusetts Department of Public Welfare. I must say to you that your Governor Dukakis phoned me late yesterday evening. He apologized for not being able to be here with us.

I have looked at your program. I am not totally familiar with the ET Program in your State, but I am somewhat familiar with it. Anytime that we see 23,000 people who have been able to be moved into the workforce from the welfare rolls, we find that very interesting.

And as committee chairman, I personally find it interesting, and want you know that we will have this committee in your State, hopefully sometime in the near future to take a closer look at the program in Massachusetts.

STATEMENT OF CHARLES M. ATKINS, COMMISSIONER, MASSACHUSETTS DEPARTMENT OF PUBLIC WELFARE

Mr. ATKINS. I am delighted to hear that, Mr. Chairman, and I am sorry that the Governor could not be here himself. I do have some written testimony that I would like to submit for the record.

Chairman FORD. It will be made a part of the record, without objection.

Mr. ATKINS. Rather than reading it, Mr. Chairman, I thought I would take this time to take the committee through a series of 12 charts, which I believe you all have in front of you, behind this colorful cover. The cover for these charts is actually a replica of a large poster that we have put up in each one of our 61 local offices in Massachusetts to try and reach out to our clients and get them interested in this program.

Marketing work opportunities to people on welfare in Massachusetts is a key part of the ET Program. Needless to say, a colorful poster like this sticks out quite vividly in a drab welfare office. And it has really helped us get the message through to our clients that we are there to help.

The next page is simply a summary of what I am going to relate to the committee. If I could just turn your attention to chart 1.

We designed the ET Program 3 years ago, and set for ourselves these goals that are stated here. We gave ourselves 5 years to achieve the goals. I am delighted to say that we are about halfway there.

The most important thing in achieving these goals was making a very fundamental change in the welfare department of Massachusetts. And that was to say to all of our workers across the State, that their job was no longer just to get people on welfare, but their job was becoming—as a No. 1 priority—to help people get off welfare and into work at the proper time.

Chart 2 is basically how we designed the program in Massachusetts and how is has been running for the past 2½ years since we began ET in October of 1983. The box on the left, registration, must, by Federal law, take place for anyone who applies for AFDC in this country, with certain exceptions, such as women who have children under the age of 6.

Chairman FORD. Pardon me, Mr. Atkins, would you pull the mike a little closer to make sure those in the room can hear your testimony?

Mr. ATKINS. Sure. The next box is somewhat more important than filling out a form, which is what registration is about. This is where we have workers who will sit down with any of our clients, whether they have registered for this program or not, who would like to involve themselves in ET and get some help getting off the welfare rolls.

It is at that point in time that if a client needs daycare services or transportation, one of our workers in one of our 61 local offices will arrange for those services. The goal of that development of an employment plan is to choose—hence, the word choices in the title of our program—one of the four boxes that are shown in the middle of this chart.

Just very briefly, starting at the box on the bottom, job development and job placement is available through our State's employment security operation, the division of employment security. We have performance-based contracts with this State agency, as well as with other State agencies that help us in this program. It costs us $1,000 per person placed into a job, which is the bottom line measure we use for this particular activity.

The next box, supported work, is on-the-job training, if you will. It is our most expensive component. It costs us about $4,500 per person placed into a job through that component. And that is for someone who needs a lot of handholding, if you will, before she is ready to get off the welfare rolls and go to work in an unsubsidized job—which is the goal of each one of these choices.

The largest box, as you can see, is education and training. And that is our largest need, where we have really tried to not just place people into jobs without giving them, as you were saying before, Mr. Chairman, the skills that they need in order to hold down a job in the private sector.

And then the fourth choice we make available is for people who are not sure which of those other three choices they might like to select. We have some independent agencies across the State who can provide career planning for our clients. The goal of these four choices, as this chart shows, is unsubsidized employment. We do not do workfare or CWEP in Massachusetts.

Chart 3 shows the distribution over time of the people who have gone through the ET Program to date, by their choices. As you can see, some 45 percent of the people have chosen to go directly into a job.

That happens to be exactly the percentage of people in Massachusetts who are on welfare who have a high school education. Not that we have done a perfect job of only matching up people with a high school education with a private sector job, but it tells me we are in the right ballpark.

However, I think what is more important is if you add up the next three segments, a total of 40 percent of our clients have chosen education or training in order to go out and get a job. And it is that component that I am terribly worried about, since the administration's proposal may restrict this choice if the current language in the budget is passed.

Chart 4 shows the results to date of the ET Program. As you can see, it started off slightly behind goal when we first began the program. And then it took off; 23,000 people as of January 1—actually, as of February 1, the number is up to 24,000 people—have chosen full or part-time employment. And that is another choice they get in Massachusetts. About two-thirds of the people have chosen full-time jobs.

Chart 5 tries to answer the question that we always get asked—"but what kinds of jobs are these people getting? After all, we all know that the only kinds of jobs welfare recipients can hold down are service type jobs." As this chart shows, that is absolutely wrong.

What is shown on the left is the distribution of jobs and the average hourly wage that people are getting through the ET Program with, on the right, the distribution of jobs and wages for all jobholders in Massachusetts. And as you can see, yes, some 18 percent of the people are holding down service jobs, but the vast majority of them are taking jobs available across the spectrum of employment opportunities in Massachusetts.

This chart also shows that in almost every single case, the jobs that welfare recipients are getting through ET are paying more than the average job out there gotten by anyone walking in off the street and looking for work. It tells us these folks can do a good job and can hold down jobs that pay sufficiently above the minimum wage for them to get off of welfare and out of poverty.

Chart 6 is a snapshot of where we were at the 2-year mark—in October of last year. Welfare, as you know, is a dynamic program. At any one time about 3,000 people a month are coming on the welfare rolls. Hopefully, an equal number are going off. Otherwise, one ends up with a growth in one's welfare rolls.

Basically where we were at the 2-year point in time, was that we had 85,000 families on the welfare rolls in Massachusetts. We had placed, if you look down at the bottom, some 20,000 people at the 2-year mark. And very importantly to us, telling us that the program was working for those folks, some 85 percent of those people were still in their jobs 30 days later.

I will tell you that a workfare program run in Massachusetts in 1982 by an independent measure had a 37-percent retention rate at 30 days, which again I think is a contrast with this program.

Chairman FORD. Go back to chart 5 a minute, if you do not mind.

Mr. ATKINS. Sure.

Chairman FORD. When we talk about a large percentage of these jobs, the $4.50 and $5.50 per-hour jobs, what about health benefits, health coverage in these jobs, and how do you participate with the Medicaid Program in many of these jobs, for how long a period of time?

Mr. ATKINS. We encourage all of our contractors as part of their performance based contract with the welfare department, not just to place people into jobs paying at least $5 an hour, but to get jobs that provide health insurance through the employer.

We succeed since about two-thirds of the jobs do have health insurance provided by the employer. For the remainder that do not, they may continue on Medicaid for 4 months after they leave the welfare rolls. Governor Dukakis has submitted a budget request to the State legislature for our fiscal year beginning July 1, to continue people on Medicaid for up to 12 months after they leave the welfare rolls, which is just what we do with daycare for ET participants, all with State funds.

Chairman FORD. OK. Sorry to interrupt.

Mr. ATKINS. Turning to chart 7. What chart 7 shows is, as you can see, over one-third of the participants right now are women with children under the age of 6. You recall back on chart 2, I mentioned that those people are exempt by Federal law from even having to register for a program like this.

This tells us, I believe, that one, we have another indication that ET is working. And two, I think this is why the program has gotten a voluntary label, because over one-third of the participants are truly voluntary. They do not even have to register for the program.

Chairman FORD. But if they so desire. They can enter the program if they wanted to.

Mr. ATKINS. We encourage anyone on public assistance in Massachusetts to participate in this program and get off the welfare rolls, no matter what their status.

Chart No. 8, I think, explains why the program has done as well as it has, why it took off, and the numbers have been increasing. And that is a very simple, basic economic fact.

Massachusetts ranks No. 13 in the country in terms of the size of the welfare benefits we give out, yet we do not give out enough money, even when you include food stamps and Medicaid to get people up to the Federal poverty level, I am ashamed to admit. And I do not know any State in this country that does, Mr. Chairman.

In Massachusetts, the maximum AFDC grant for the average family of three is, as this chart shows, all of $4,800 a year. That is a woman and two children. By contrast, the jobs—at least the full-time jobs that ET participants have been getting—are paying over $10,000 a year. That is not a lot of money, but it obviously twice what we can give out in the way of cash grants through the AFDC Program. And it is slightly above the Federal poverty level for a family of three of $8,800.

So what has happened in Massachusetts is that we have literally created with the ET Program a route out of poverty. The word has spread among our clients, and that is why I think we are seeing large numbers of people participating and going through the program.

Chart 9 shows what has happened to the AFDC caseload in Massachusetts and what we believe would have happened to the caseload if it had not been for the ET Program.

Chart 10 takes a look at what has happened—and this is some research our own staff has done, with the 12 largest welfare States in the country over the past 3 years, 1983, 1984, and 1985.

And we put this chart together because we wanted to see if, in fact, the AFDC caseload was changing due to the aftermath of OBRA cuts in 1981. As you well know, Mr. Chairman, that legislation removed Federal welfare eligibility for thousands of working families across the country. In Massachusetts 30,000 welfare families left the caseload.

And I frankly wanted to see if the decrease we were seeing in the welfare caseload in Massachusetts was perhaps the result of OBRA.

To me, what this chart says is, it not only was it not, but in fact, I think what happened in many of the States is a lot of those families who had to leave the welfare rolls because of OBRA were not able to make it out there in their part-time jobs and came back onto the welfare rolls in 1983, 1984, and 1985.

As this chart shows, the average change for these 12 States was an increase of about 3 percent. Compared to that, as you can see, Massachusetts had a decrease in our welfare caseload in the past 3 years of close to 9 percent.

Chart 11, then tries to answer the next question that comes up is, well, has the welfare caseload in Massachusetts dropped simply because of the booming economy in Massachusetts. We have a 3-percent unemployment rate in January. Last calendar year it averaged out to 3.9 percent. That is terrific.

But I think as this chart shows, every single one of those 12 States showed an improvement in their economies, yet half the States had an increase in their caseloads, and half had a decrease.

What this says to me, Mr. Chairman, is that you need a good economy if you are going to do a program like ET and at least place a large number of people into jobs the way we have in Massachusetts. But you also have to have a program like ET, or like my colleagues in Illinois and California have put together, in order to get people off the welfare rolls.

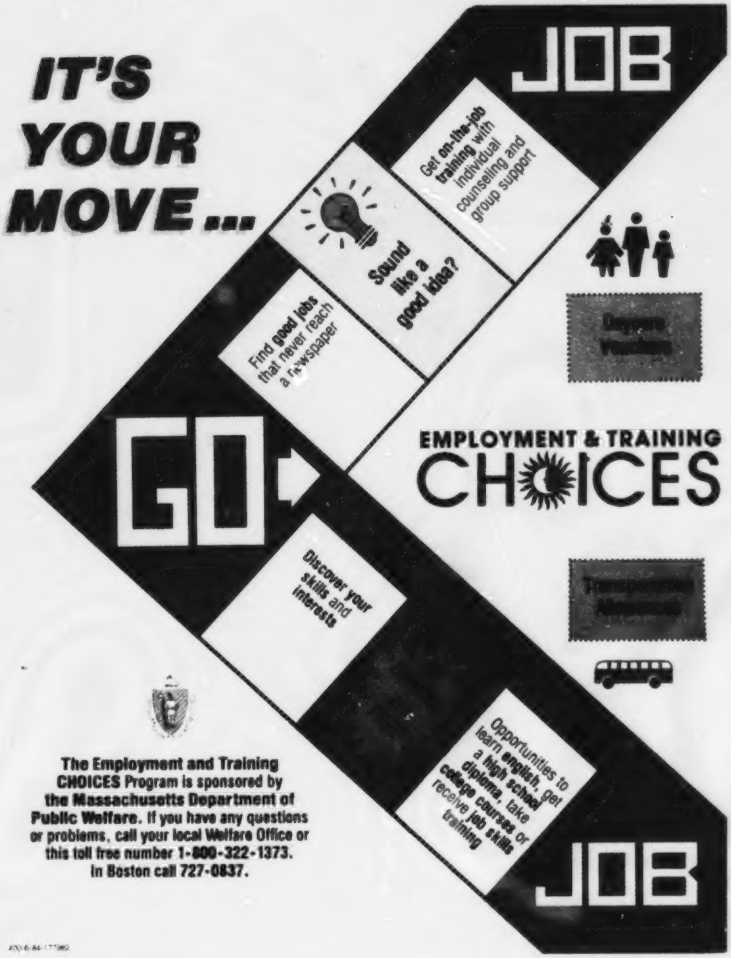
A rising tide does not lift all boats. If those women on welfare do not have a boat to get into, the training and education you talked about or the daycare, they are not going to be able to leave the welfare rolls.

Chart 12, the last chart, shows the savings that we have been able to accumulate to date. I might say that these savings are the savings directly to the Department of Public Welfare in Massachusetts. They represent the net savings after, deducting the cost of the program, in the way of AFDC and Medicaid benefits that we would have paid out to these people.

When you add in the savings to the Federal Government from food stamp reductions, the Federal taxes that these people now pay that they are working, Social Security payments, State income taxes and State sales tax, the total savings this calendar year will amount to $107 million.

Mr. Chairman, I would be glad to answer any questions or wait until after the panel.

[The charts and prepared statement follow:]



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JOB
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EMPLOYMENT & TRAINING
CHOICES

The Employment and Training CHOICES Program is sponsored by the Massachusetts Department of Public Welfare. If you have any questions or problems, call your local Welfare Office or this toll free number 1-800-322-1373. In Boston call 727-0837.

400-6-84-177982

EMPLOYMENT AND TRAINING CHOICES

COMMONWEALTH OF MASSACHUSETTS

MICHAEL S. DUKAKIS, GOVERNOR

BACKGROUND

- Employment and Training Choices is Massachusetts' employment program for people on public assistance.
- The program is known as E.T.
- E.T. began in October of 1983.

E.T. RESULTS

- More than 23,000 people have gotten full or part-time jobs.
- The average yearly salary is $10,100 for those who choose full-time work (more than double the average yearly welfare grant of $4,800).
- All the jobs are unsubsidized and 80% are in the private sector.
- Over two-thirds of the jobs provide health insurance.
- 86% of the people who go off welfare through E.T. are still off welfare one year later.
- As of January 1, 1986, E.T. has saved taxpayers $69 million in welfare benefits. When welfare, Medicaid, Food Stamp benefits and new revenues from Social Security contributions and income and sales taxes are included, savings will total $107 million in Fiscal Year 1986 alone.
- Massachusetts' welfare caseload declined 8.6% between January 1983 and January 1986 -- the largest decline in the nation.

E.T. PROGRAM

- E.T. participants may choose:
    - assessment and career counseling
    - education and skills training
    - on-the-job training through supported work
    - job placement through the Division of Employment Security
- Daycare and transportation allowances are available to all E.T. participants.

E.T. EMPLOYERS

- More than 8,000 Massachusetts firms have hired E.T. graduates.
- Employers have stated publicly the E.T. graduates whom they have hired are exceptionally well-trained and highly-motivated.

CHART 1

EMPLOYMENT AND TRAINING CHOICES PROGRAM GOALS

- **Place 50,000 Welfare Recipients into Jobs**

- **Reduce Welfare Dependency**

- **Save 150 Million Tax Dollars**

CHART 2

ET CHOICES FLOW CHART

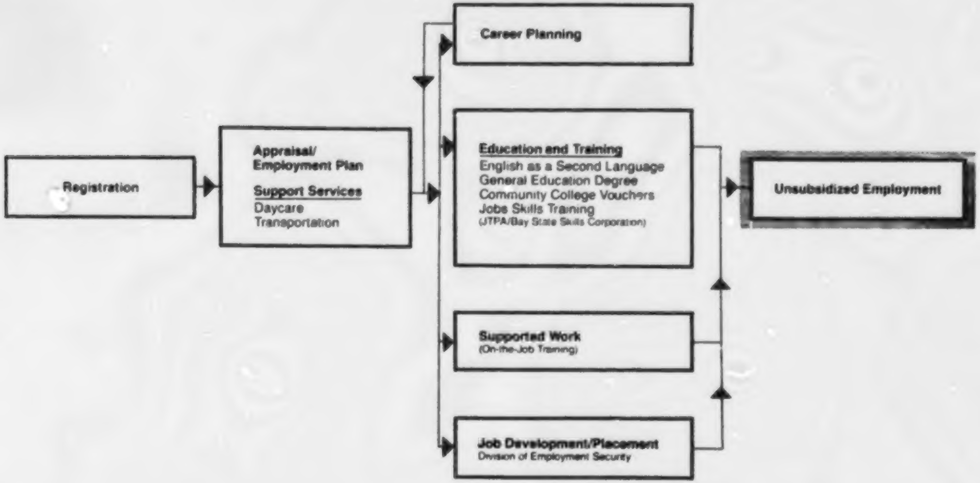
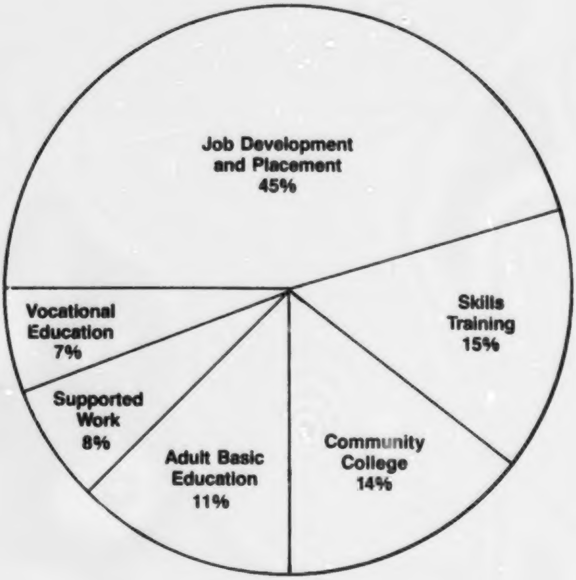

Registration
Appraisal/ Employment Plan
Support Services
Daycare
Transportation
Career Planning
Education and Training
English as a Second Language
General Education Degree
Community College Vouchers
Jobs Skills Training
(JTPA/Bay State Skills Corporation)
Supported Work
(On-the-Job Training)
Job Development/Placement
Division of Employment Security
Unsubsidized Employment

CHART 3

PROGRAM CHOICES BY ET PARTICIPANTS



Note: In addition, 15% of these ET participants also chose Assessment and Career Planning.

CHART 4

MONTHLY ET JOB PLACEMENTS: ACTUAL VS. GOAL

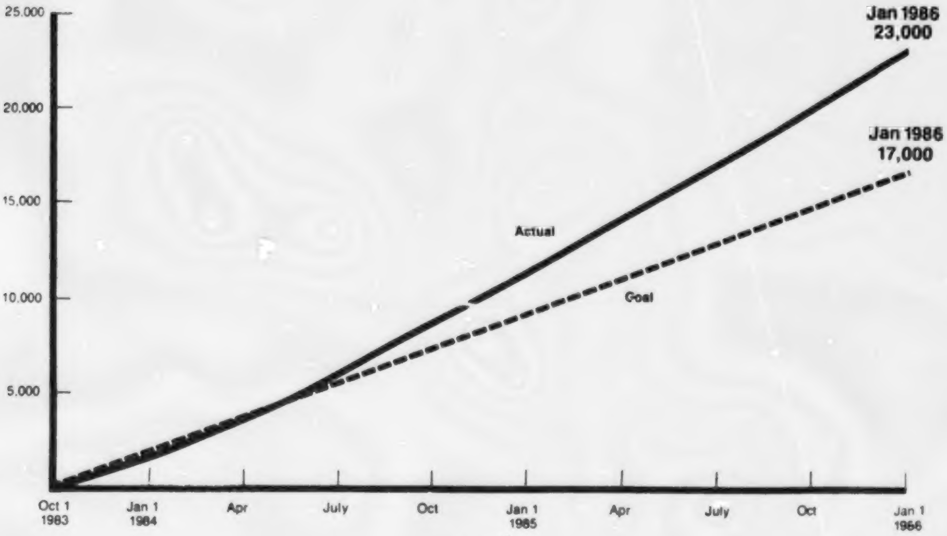


CHART 5

ET FULL TIME PLACEMENTS COMPARED TO ALL JOBS BY PERCENTAGE AND HOURLY WAGE
July 1, 1985–Dec. 1, 1985

ET CHOICES*			All Job Placements	
Average Hourly Wage	Percentage of Jobs	Occupation	Average Hourly Wage	Percentage of Jobs
$4.41	2%	Farming, Fishing, Forestry	$3.89	5%
5.10	2	Processing	4.32	4
6.63	3	Transportation	6.77	3
4.83	4	Sales	3.74	10
5.82	6	Machine Trades	5.30	3
6.88	7	Construction	6.24	5
4.68	8	Benchwork	5.01	5
7.33	10	Professional/Managerial	7.79	3
4.67	12	Packing/Handling	4.27	21
5.16	18	Service	3.95	22
5.28	28	Clerical	4.37	19
5.49	100	Total	4.50	100

Note: Placements represented are from Division of Employment Security Job Development and Placement Services only; wage rates are taken at 30 days after placement.

CHART 6

ET: TWO YEAR RESULTS

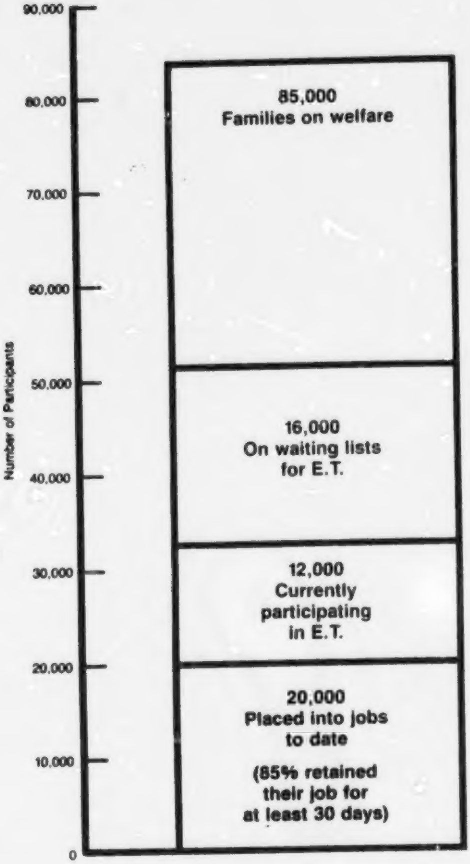
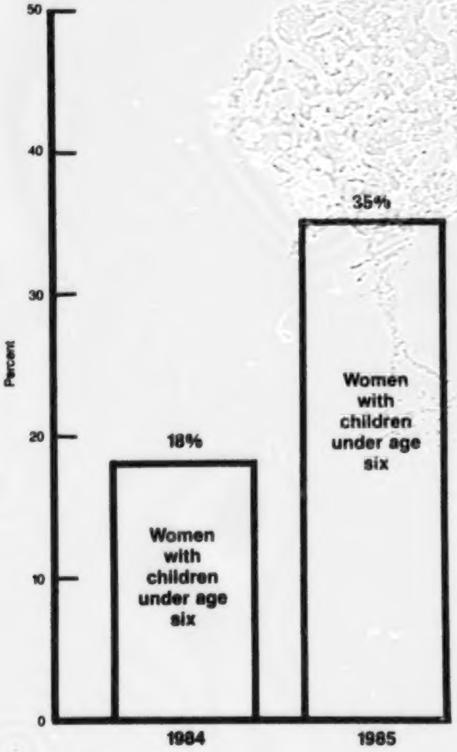


CHART 7

ET EXEMPT PARTICIPANTS
1984 VS. 1985



Figures for first quarter (Oct.-Dec. 1984) and most recent quarter (June-Aug. 1985)

CHART 8

INCOME: WELFARE VS. WAGES, 1985

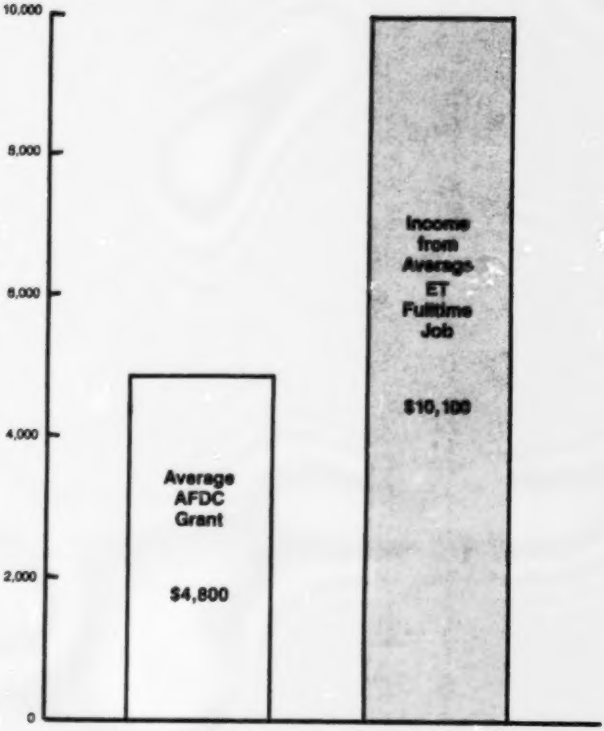


CHART 9

EFFECT OF ET ON THE AFDC CASELOAD

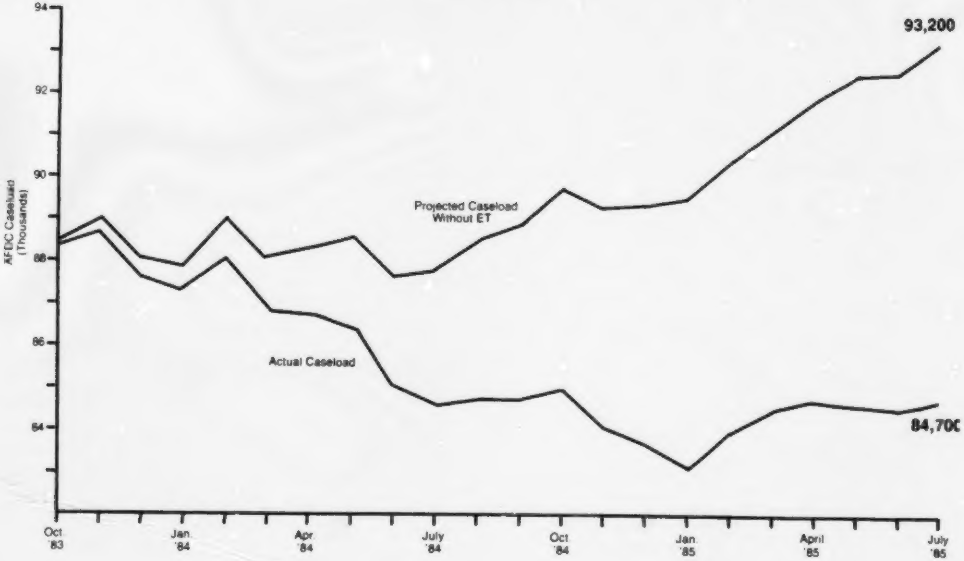


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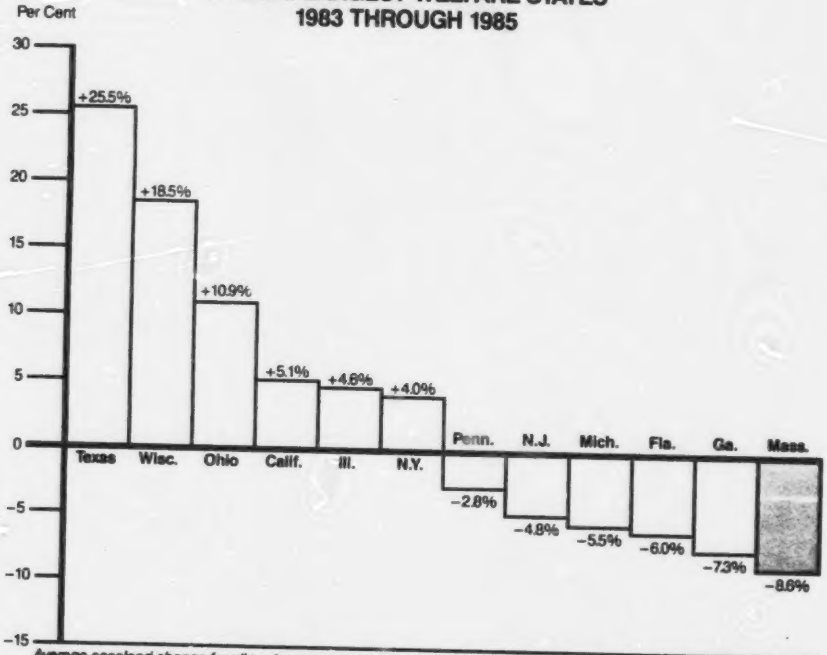
CHART 10

AFDC CASELOAD TRENDS
TWELVE LARGEST WELFARE STATES
1983 THROUGH 1985



Average caseload change for all twelve states is +2.8%.

CHART 11

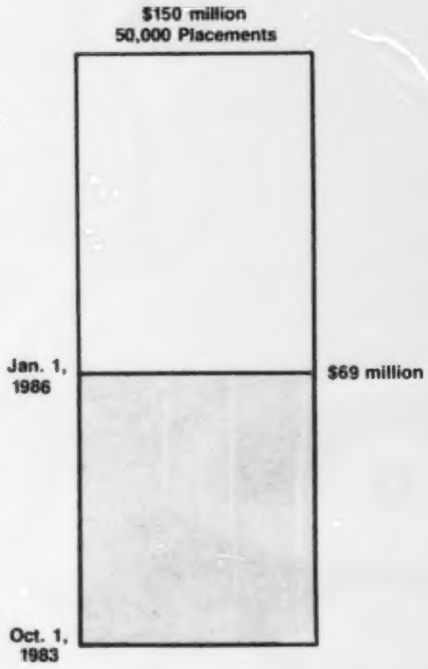
TWELVE LARGEST WELFARE STATES
AFDC CASELOAD AND UNEMPLOYMENT TRENDS
1983 THROUGH 1985

STATE	AFDC CASELOAD CHANGE	UNEMPLOYMENT RATE CHANGE (percentage points)
Texas	+25.5%	−1.2
Wisconsin	+18.5%	−5.1
Ohio	+10.9%	−6.2
California	+5.1%	−4.6
Illinois	+4.6%	−4.2
New York	+4.0%	−2.7
Pennsylvania	−2.8%	−5.2
New Jersey	−4.8%	−3.5
Michigan	−5.5%	−10.0
Florida	−6.0%	−4.4
Georgia	−7.3%	−2.1
Massachusetts	−8.6%	−3.5

Source: Massachusetts Department of Public Welfare
Office of Research, Planning and Evaluation
and
Massachusetts Division of Employment Security
Office of Research, Planning and Evaluation

CHART 12

CUMULATIVE ET SAVINGS



Note: Estimated net savings per placement: $3,000

Testimony of Charles M. Atkins
Commissioner, Massachusetts Department of Public Welfare
before the Public Assistance Subcommittee of
the Ways and Means Committee of the US House of Representatives

February 27, 1986

Mr. Chairman, members of the subcommittee, thank you for allowing me to testify today. I am representing Governor Michael Dukakis who could not be here today and who asked me to express to you his appreciation for the work of this subcommittee in reviewing programs of critical importance to our nation's most vulnerable population -- poor women and children.

As a result of the President's interest in welfare reform, there has been a lot of attention given in the news lately to "workfare," but in Massachusetts we have something different and we call that difference "opportunity." Our Employment and Training -- or E.T. Choices program has provided the opportunity for 24,000 welfare recipients to obtain full or part-time unsubsidized jobs, primarily in the private sector, since the program began in October of 1983.

E.T. uses the innovative approach of offering clients a range of program choices along with the support services welfare recipients need to get real jobs in the private sector. While job-ready clients do have access to job search services as in the regular Work Incentive Program (WIN), clients who need skills can participate in a variety of training courses and clients who need education can get it -- whether they need basic literacy skills or want more advanced education. Day care and other support services are provided both during the training period and for up to twelve months after the client is placed in a job.

Other states, such as California and Illinois, have looked to us as a model and are adopting features of ET in their own states. Unfortunately, just as states are beginning to show innovation, and, most importantly, are beginning to get results in the form of increased job placements and declining welfare caseloads, the Administration would have us return to the "workfare" approach that failed so miserably in California and elsewhere in the 70s.

I think it is important to note the differences between "workfare" and ET. Workfare is a term traditionally used to describe work-off-your-grant schemes where welfare recipients perform public service tasks in return for their welfare grants. They earn no more than their basic welfare payment, are not prepared for the real jobs that exist in the private sector, and often find themselves working side-by-side with public employees who are earning more for the same tasks.

The most oft-cited workfare experiment is the California workfare program started in 1970 by then-Governor Reagan. But like workfare experiments tried earlier in my own state of Massachusetts, the California plan was anything but a success. After three years of operation and a caseload of 1/2 million families, the Reagan experiment assigned only 9,600 recipients to subsidized, public service jobs according to a 1974 report of the California State Auditor.

ET, on the other hand, provides participants with the full range of services needed to obtain unsubsidized jobs. Participants choose the program component that is right for them: job search and placement services for the job ready, training for those who need to learn a marketable skill, education -- from adult literacy training and English language classes to community college -- for those who need it, and supported work for those who need a helping hand in their transition from welfare to work.

In addition, services such as career planning, transportation, health care and day care are provided to make sure that recipients have access to the opportunities that ET offers. I cannot emphasize enough the importance of day care -- which we provide for up to a year after placement in a job. It is a critical element of our success since a major employment barrier for many AFDC mothers is the lack of affordable day care. One measure of the program's appeal is that 35% of ET participants are women with children under six years of age, who are exempt from federal work requirements, but who chose to participate in ET.

There is no secret to why it all works; ET appeals to a client's economic self-interest. At an average wage of over $5.00 an hour -- or more than $10,000 a year -- ET Choices can double the cash income a welfare recipient can receive in Massachusetts. Since this wage is over the poverty line of $8,850 for the average welfare family -- a mother and two children, ET has become a true "route out of poverty."

Another ingredient in the success of ET is good management. The program is administered by the same agency responsible for paying welfare benefits in our state -- the Department of Public Welfare. Through interagency agreements, the Department "buys" training, education and job placement services for ET participants. These inter-agency agreements are actually performance-based contracts, which provide for payments, including incentives, for "outputs" such as job placements, retention and wage rates. The local welfare offices that administer both our AFDC benefits and ET are also held to monthly performance goals for ET referrals, assessments and placements. The extent to which the management of ET plays an important role is evidenced by the fact that each year the Governor personally gives out awards to those local offices which have met their ET goals.

What does all this mean for the future of federal work and welfare programs? *First*, I think we have demonstrated that a program based on *choice*, rather than punishment, will show results. And those results need not be measured solely in job placements. Our AFDC caseload in Massachusetts has fallen 8.6% in the last three years -- the greatest decline among the twelve largest welfare states in the country. This year, ET will save $107 million due to *decreased* AFDC, Medicaid, and Food Stamp costs, and *increased* Social Security, Federal and State tax payments by former welfare recipients who are now taxpayers.

Second, support services such as day care, transportation, and extended Medicaid benefits are important to insure that AFDC recipients can make the transition from welfare to work.

Third, federal participation is not only desirable, but it is also *cost-effective*. Sixty percent of the savings I have described in Massachusetts are comprised of Federal tax savings for welfare costs or Federal tax increases for Social Security and income taxes. Yet, the Federal contribution to the Massachusetts ET program amounts to less than 25% of program costs.

And, *finally*, the Federal government needs to be less prescriptive in its proposals in this area. As other states have visited ET, they have adopted certain features of our program, but have molded programs to fit individual state needs. This flexibility -- the hallmark of the WIN demonstration projects authorized by the Congress under OBRA -- is an important factor in the growing innovation and program success at the state level. I believe the Administration's current proposal would stifle state efforts by restricting allowable activities. Most important, removing education and classroom-based training from the features of a work program for AFDC benefits is extremely short-sighted. Nearly one-third of our participants choose these activities and are succeeding in the workplace due to the skills they learn in classroom settings -- whether basic literacy skills, English as a Second Language, word processing training or a variety of community college courses. I strongly oppose closing the door on these paths to success.

As you legislate in this area, I urge you to allow states the flexibility to run programs like ET. They are both cost-effective and humane and have proven that welfare recipients want to work, if only given the support -- through training, day care, and provision for fair and adequate wages -- to succeed. I need only to turn to the story of Ruby Sampson. For an investment of $3,000 in a training course for operating room technicians, a woman whose family had been on welfare for 14 years is now a taxpayer with an annual income of $14,000 and a new lease on life. And in Massachusetts there are now nearly 24,000 former welfare recipients who understand when Ruby says, "ET gave me the chance. The old Ruby is dead."

Chairman FORD. Thank you very much. We will wait until the other witnesses have had an opportunity to testify.

Mr. Coler.

STATEMENT OF GREGORY L. COLER, DIRECTOR, ILLINOIS DEPARTMENT OF PUBLIC AID

Mr. COLER. Thank you, Mr. Chairman and members of the committee. I have an abbreviated version of my testimony I would like to present to you.

In Illinois, we have abandoned any vestige of acceptance for the notion that we should permit welfare to imprison people forever. We are retooling the way we think about welfare and what it should accomplish.

Welfare can get you through today, but any job—even a low paying, entry level position—has a brighter future than a welfare check. With a job you can work hard, develop additional skills, and move up the ladder. Welfare offers no ladder to climb, and there are no raises or promotions on welfare. Neither is there the dignity, the independence and the freedom one gains through self-sufficiency.

That is why Governor Thompson ended 1985 by launching Project Chance. Project Chance is designed to get 100,000 people off the welfare rolls and into full-time jobs during the next 3 years. We intend to give people not just a check, but a chance.

Our goal is ambitious. Some say it sounds impossible, but we believe we can do it. Project Chance was begun by consolidating all of our existing employment programs, including our WIN and our State-supported general assistance job program. Last year Illinois placed 25,000 clients in jobs through these programs.

Project Chance symbolized the Department of Public Aid's new status as an employment agency for the poor. That unique perspective is complemented by the partnership we are forging between the private sector and the State. This year we allocated $3 million of State money for agreements with the private sector to train and place welfare recipients.

Our operating principle is that training is always tied to an available job. No training for training's sake. Our training contracts are performance based, meaning we will not pay unless the trainees are placed in full-time employment. And we will not even consider a proposal for funding unless we are convinced that the jobs will be there on graduation day.

I want to emphasize that our unique partnership approach has been significantly aided in the past by the Federal Targeted Jobs Tax Credit. Unfortunately, the Congress failed to extend the life of the tax credit.

We need the Targeted Jobs Tax Credit back in force to stimulate jobs for people on welfare and other low income groups. The tax credit encourages employers to give welfare recipients a chance to prove themselves, and will allow some employers to hire an employee that they otherwise could not afford to hire.

I do not think the tax credit costs money, it saves it. And the cost to the taxpayer is a lot less than it costs them to keep someone on welfare for a year. Last year in Illinois over 25,000 people got jobs at least in part due to the tax credit.

Our Project Chance is a combination of mandatory and voluntary programs. Most welfare recipients will be required to participate or face sanctions leading to losing their benefits.

But those who have traditionally been exempted from work programs, young women with children younger than 6, will be encouraged to volunteer. The Illinois Department of Public Aid will make every effort to recruit them into Project Chance.

We believe that we may have our biggest success with that group, because they have not been out of school that long, they have not been on welfare that long to get used to it, and they are highly motivated to provide a better life for their children.

We will also be looking for volunteers for Project Chance among women who seek help at our domestic violence shelters, and people who apply for welfare, but do not qualify because their income or assets are a little too high.

It is only a matter of time before many of those people wind up on welfare, so by getting to them early, we may be able to help them avoid ever ending up on the welfare rolls.

Two major studies of welfare recipients in Illinois found that their major barrier to employment is the lack of a high school education. So the foundation of Project Chance is to help welfare recipients get the education they need to succeed.

We have increased the number of people in high school equivalency classes during the last year from 3,000 to 12,000. And we are sending more people to junior colleges and technical schools based on an employment plan that leads to an actual job that is available in the community.

Project Chance does include mandatory work experience or workfare for welfare recipients who can benefit from it. We do not think of workfare as punishment for being on welfare. To us, it is just another method of preparing someone to compete in the job market.

People who have never worked in their lives and do not even know what it is like to work have very little chance of finding a job on their own. Work experience can teach them how to hold down a job, and what the responsibilities of being an employee are. And the references that they get while doing work experience will help them land a full-time job later.

Project Chance is probably the only government program in Illinois to come with a lifetime guarantee. The welfare recipients themselves are the only ones who can void that guarantee.

Our department will guarantee every welfare recipient in the State of Illinois that we will never give up on them, as long as they do not give up on themselves. As long as they are willing to put forth the effort that it takes to get a job, we will never give up doing and putting forth the resources, whatever it takes to help them succeed.

We are already seeing some encouraging results.

When I go back to Chicago tomorrow, I will be attending a graduation ceremony for 20 welfare recipients. They have just completed a new nurse's aide training course and they start their new jobs on Monday morning. There is one man in the class who has been out of work for 8 years since his factory closed down. And there are 19 women who average 33 years of age, three children, and 3½ years on welfare.

And we have had our first graduates from a program we are operating with the Illinois Retail Merchants Association and a junior college. We fund the training and the Retail Merchants Association pledges to place at least 100 welfare recipients in full-time jobs in retail jobs every month.

The President and the Congress have made great strides over the last 4 years in promoting State flexibility in the administration and operation of welfare employment program. We need to maintain the level of funding and flexibility that we currently have in federally sponsored welfare-to-work programs.

Every penny we spend to get someone off welfare and into a job we got back many times over. By getting jobs for 100,000 welfare recipients, we estimate a savings of $40 million a month in welfare costs. That is more than we spend on our work programs in an entire year.

Rather than more rules mandating different types of programs for recipients of different types of welfare, States need the flexibility to run a program that addresses local weaknesses and takes advantage of local strengths.

People on welfare, no matter which program they are on, need the same thing, they need a job. I believe States can do a lot better job of helping them get that position and get off welfare if we have only one set of Federal rules to play by.

There is an awful lot that you can do to help us succeed and the end result, we believe, will mean better services for the poor at less cost to the taxpayers.

Thank you, Mr. Chairman.

[The prepared statement follows:]

REMARKS BY GREGORY L. COLER
DIRECTOR, ILLINOIS DEPARTMENT OF PUBLIC AID
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

Good afternoon, Mr. Chairman and members of the committee.

My name is Gregory Coler and I am the Director of the Department of Public Aid for the State of Illinois.

I would like to convey to you, as succinctly as possible, the attitude of Illinois state government toward welfare. In his State of the State Address to the people of Illinois, the state which supports the biggest welfare-to-work program in the nation, Governor James Thompson said:

> It is unacceptable to sit back in resignation while generations are born into, exist within, and die in state supported, dead-end poverty.
>
> It is unacceptable to taxpayers to support a welfare system viewed as an occupation in itself when the hundreds of millions of dollars expended could be invested in education or law enforcement or preventing child abuse or caring for senior citizens. It is foolish, and shortsighted and cruel to perpetuate a welfare system which has the State cynically and repeatedly investing the taxpayers' dollars in a way which in some instances promotes hopelessness, rather than in human services which protect helplessness.

The Governor said, in Illinois we have abandoned any vestige of acceptance for the notion that we should permit welfare to imprison people. We're retooling the way we think about welfare and what it should accomplish.

Welfare can get you through today, but any job--even a low paying, entry level position--has a brighter future than a welfare check. With a job you can work hard, develop additional skills, and move up the ladder. Welfare offers no ladder to climb, and there are no raises or promotions on welfare. Neither is there the dignity, the independence and the freedom one gains through self-sufficiency.

We believe welfare must mean something more than a check. In Illinois, we intend for it to mean helping people along the way to a better future.

That is why Governor Thompson ended 1985 by launching "Project Chance." Project Chance is designed to get 100,000 people off the welfare rolls and into full-time jobs during the next three years. We intend to give people "Not just a check, but a chance".

Our goal is ambitious, some say its sounds impossible, but we believe we can do it. Project Chance was begun by consolidating all of our existing employment programs, including our WIN and GA Jobs programs. Last year Illinois placed 25,000 clients in jobs through these programs.

As that statistic connotes, Illinois is already a national leader in finding gainful employment for welfare recipients.

Project Chance symbolizes the Department of Public Aid's new status as an employment agency for the poor. That unique perspective is complimented by the partnership we are forging between private employers and the state. During Illinois' current fiscal year, we received three million dollars of State only money to enter into agreements with private sector companies. These companies will tell us what qualifications they want prospective employees to have and we will use this new money to ensure that our recipients have those skills.

When we've identified the needs, we will pay the hiring company or some other qualified firm to train screened recipients for the positions. Thus, our operating principle is that training is always tied to an available job.

I want to emphasize here that our unique partnership approach has been significantly aided in the past by the federal Targeted Jobs Tax Credit. Unfortunately, the Congress failed to extend the life of the tax credit.

We need the Targeted Jobs Tax Credit back in force -- to stimulate jobs for people on welfare -- and other low-income groups. The tax credit encourages employers -- to give welfare recipients a chance to prove themselves. And it will allow some employers -- to hire an employee they otherwise couldn't afford to hire.

BEST [illegible]

The tax credit doesn't cost money -- it saves it. And it costs the taxpayers a lot less than it costs them to keep someone on welfare for a year.

Last year in Illinois -- 25,000 people got jobs because of the tax credit -- and we saved an estimated $7.3 million in welfare costs because of it.

Every state appreciates the importance of the tax credit to its job development efforts. We in Illinois perhaps more than some because we have used it with great success.

In fact, the American Public Welfare Association, meeting in the capitol city this week, unanimously adopted a resolution urging Congress to reinstate the tax credit as soon as possible.

Project Chance is a combination of mandatory and voluntary programs. Most welfare recipients will be required to participate -- or face losing their benefits.

But those who have traditionally been exempted from work programs -- young women with children younger than 6 -- will be encouraged to volunteer.

We believe we may have our biggest success with that group -- because they haven't been out of school that long -- they haven't been on welfare long enough to get used to it -- and they're highly motivated to provide a better life for their children.

We'll also be looking for volunteers among women who seek help at domestic violence shelters -- and people who apply for welfare but don't qualify because their income or assets are a little too high.

It's only a matter of time before many of those people wind up on welfare. So by getting to them early -- we may be able to help them avoid ever ending up on the welfare rolls.

Two major studies of welfare recipients in Illinois found that their major barrier to employment is the lack of a high school education.

[Sources: one of A-F-D-C recipients -- by the Manpower Demonstration Research Corporation -- and one of the G-A caseload -- by the National Opinion Research Institute at the University of Chicago]

So the foundation of Project Chance -- is to help welfare recipients get the education they need to succeed. We've increased the number of people in high school equivalency classes -- from 3,000 to 12,000 over the past year. And we're sending more people to junior colleges and technical schools, based on an employment plan that leads to an actual job that's available in the community.

Our agenda is clear: provide schooling to complete the high school diploma or its equivalent; identify the jobs, and place the educated, trained recipient in a job. Our contracts with those employed to train recipients are performance based -- meaning we won't pay unless the trainees are placed in full-time employment. And we won't even consider a proposal unless we're convinced that the jobs will be there on graduation day.

Project Chance does include mandatory work experience -- or workfare -- for welfare recipients who can benefit from it. We don't think of workfare as a punishment for being on welfare. It's just another method of preparing someone to compete in the job market.

People who have never worked in their lives -- and don't even know what it's like to work -- have very little chance of finding a job on their own.

BEST

Work experience can teach them how to hold down a job -- and what the responsibilities of being an employee are. And the references they get while doing work experience will help them land a full-time job later.

Project Chance is probably the only government program in history to come with a lifetime guarantee. And the welfare recipients themselves are the only ones who can void that guarantee.

We guarantee every welfare recipient in the state that we will never give up on them -- as long as they don't give up on themselves. As long as they're willing to put forth the effort it takes to get a job -- we'll never give up doing whatever it takes to help them succeed.

And we're already seeing some encouraging results.

When I go back to Chicago tomorrow -- I'll be attending a graduation ceremony for 20 welfare recipients. They've just completed a new nurse's aide training course -- and they start their new jobs on Monday morning.

There's one man in the class -- who has been out of work eight years -- since his factory closed down. And there are 19 women -- who average 33 years of age -- 3 children -- and 3 1/2 years on welfare.

And we've had our first graduates from a program we're operating with the Illinois Retail Merchants Association and a junior college. We fund the training -- and the merchants association has pledged to place at least 100 welfare recipients in full-time jobs in retail stores every month.

The President and the Congress have made great strides over the last four years in promoting state flexibility in the administration and operation of welfare employment programs.

We need to maintain the level of funding and flexibility that we currently have in federally sponsored welfare-to-work programs.

We support the development of performance standards to ensure that our tax dollars are being effectively used in the work programs that we develop. But, we do not believe that performance standards should be tied to mandatory client participation levels.

In Illinois, we are interested in economic independence for our welfare recipients. Therefore, we place great emphasis on entry level jobs that have a future, job retention rates, and the overall effect on our public assistance caseloads.

Every penny we spend to get someone off welfare and into a job -- we get back many times over.

By getting jobs for 100,000 welfare recipients -- we estimate a savings of $40 million a month in welfare costs. That's more than we spend on our work programs in an entire year.

And rather than more rules mandating different types of programs for recipients of different types of welfare -- we need the flexibility to run a program that addresses local weaknesses -- and takes advantage of local strengths.

People on welfare -- no matter which program they're on -- need the same thing. They need a job. And we can do a lot better job of helping them get a job -- and get off welfare -- if we have only one set of rules to play by.

And aside from the work components of welfare programs -- I think the entire A-F-D-C and Food Stamp programs could benefit greatly from simplification and coordination.

The pages and pages of different requirements -- and income and asset limits -- and mathematical calculations -- make processing a new welfare applicant a nightmare for our caseworkers.

And the results are higher administrative costs -- and more costly errors.

During a simplification project -- where we made the eligibility requirements the same for A-F-D-C and Food Stamps -- and standardized food stamp levels -- we cut our administrative costs and errors by $13 million.

When someone's poor -- they're poor. And having totally differing sets of rules and regulations for every program -- just stacks up more paperwork -- drives up costs -- and makes it easier for someone to take advantage of the confusion to get benefits they don't deserve.

The less time we spend shuffling paper, the more time we can spend putting people in jobs.

There's a lot you can do to help us succeed. And the end result will mean better service for the poor -- at less cost to the taxpayers.

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Chairman **Ford**. Thank you, very much.
Ms. McMahon.

STATEMENT OF LINDA S. McMAHON, DIRECTOR, CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

Ms. **McMahon**. Thank you, Mr. Chairman.

It is a pleasure to be back in front of this subcommittee in my new capacity and also to be in front of my own Congressman, Mr. Matsui.

I am Linda McMahon, Director of California's Department of Social Services and I am pleased to be here today to discuss California's recently enacted employment and training program, which is known as Greater Avenues for Independence, or GAIN.

Under this program, all able-bodied AFDC applicants and recipients will be required to participate in a structured sequence of employment related activities which are designed to help them find work through proven cost-effective methods.

First, let me give you some background as to why California needed a program like GAIN. California currently has about 10 percent of the country's population, but is spending over 22 percent of the Nation's welfare dollars. Despite a strong economic recovery, the number of welfare recipients has grown twice as fast as the general population since 1980. AFDC costs have nearly doubled in the last decade, with current expenditures amounting to approximately $300 million a month for a case load of almost 1.7 million people. Clearly, existing programs have not been successful in reducing welfare dependency or transitioning recipients into unsubsidized employment

To address this challenge of increasing welfare dependency and expenditure of public resources, the California legislature passed and Governor Deukmejian signed the landmark GAIN legislation in September of 1985. This program represents a real departure from some of the unsuccessful welfare reform approaches attempted in the past. As opposed to the fragmented approach of prior unsuccessful proposals, GAIN offers a series of components arranged in a sequence designed to maximize a welfare recipient's opportunities for employment. Previous State and local experimental programs have shown that the sequence of components is as important as the components themselves in achieving cost effective job placements. GAIN provides for the development of an employment plan based on an individualized formal assessment of the participant's skills, interests, and abilities, but places this activity after a period of intensive job search assistance. This allows the labor market itself to determine who is immediately employable. The more expensive components, such as the assessment I just mentioned, supported work, and transitional employment can then be focused on those who have not been able to find employment using the less expensive approaches. GAIN also contains a viable, mandatory, and cost effective work experience component. Participants in the work experience component will be able to enhance their existing skills or develop basic work habits and job references that will assist them in securing regular employment.

A major consideration in enacting the GAIN Program was the urgent need for additional child care services for those parents who will be occupied with work and employment training. GAIN will provide sufficient resources to ensure that all participants will be able to obtain child care, as well as other necessary supportive services, such as transportation, personal counseling, and the payment of work or training related expenses. No person will be required to participate in the program until all the necessary supportive services can be arranged.

Another important feature of the GAIN Program will be the local flexibility that will be allowed in designing programs to meet community needs. I point out that California is a county-run administrative program. Many previous training programs were unsuccessful because they failed to target their services to the demands of local labor markets. Under GAIN, local governments have been granted the flexibility to form new partnerships with the private sector, other training organizations, and public agencies. Each county will complete an assessment of the local labor market, and will offer training services that provide the specific skills needed for anticipated employment opportunities.

It is expected that once the program is fully operational, approximately 170,000 welfare applicants and recipients will participate in GAIN. Our initial projections are that the program will require approximately $158 million in new costs, but will achieve approximately $272 million in savings, for a net savings of about $114 million. That is per year. The legislation allows local governments up to 3 years to begin operating the program. However, over half of California's 58 counties expect program operations to begin during the 1986–87 fiscal year. Virtually all counties are currently involved in intensive planning efforts.

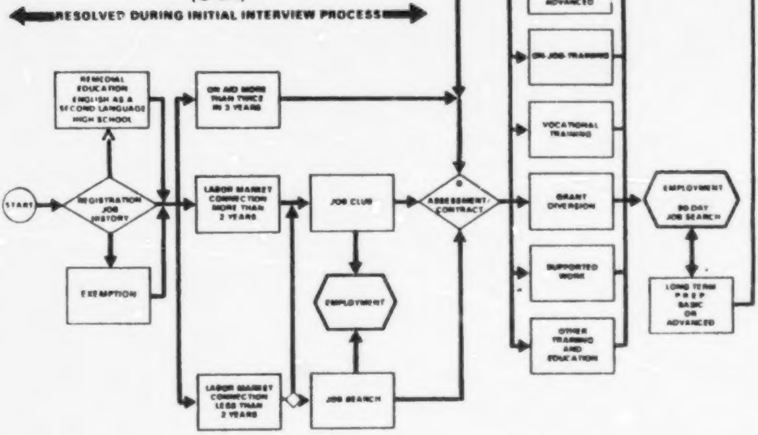
In conclusion, I would just like to note that the GAIN Program is not intended to resolve all the problems in our economy and does not promise to create new job opportunities. GAIN is intended to make welfare recipients as competitive as possible for the job opportunities that do become available, in order to achieve the program's primary goal: the transition from welfare dependency to self sufficiency through employment.

Thank you.

I have a copy of the chart that describes the GAIN Program, and if you would like for me to take a minute, I can get into a little more detail about how the components fit together or you can just ask questions.

[The chart follows:]

GREATER AVENUES FOR INDEPENDENCE (GAIN)


RESOLVED DURING INITIAL INTERVIEW PROCESS
START
REGISTRATION JOB HISTORY
REMEDIAL EDUCATION ENGLISH AS A SECOND LANGUAGE HIGH SCHOOL
EXEMPTION
ON AID MORE THAN TWICE IN 3 YEARS
LABOR MARKET CONNECTION MORE THAN 2 YEARS
LABOR MARKET CONNECTION LESS THAN 2 YEARS
JOB CLUB
EMPLOYMENT
JOB SEARCH
ASSESSMENT/ CONTRACT
SHORT TERM PREP BASIC OR ADVANCED
ON-JOB TRAINING
VOCATIONAL TRAINING
GRANT DIVERSION
SUPPORTED WORK
OTHER TRAINING AND EDUCATION
EMPLOYMENT 90 DAY JOB SEARCH
LONG TERM PREP BASIC OR ADVANCED

LEGEND:

● Options based on Job History. Disputed assessments resolved by 3rd party arbitration

Chairman Ford. The staff will pass those to the members of the committee.

At this time, the Chair would recognize Mr. Matsui.

Mr. Matsui. Thank you, Mr. Chairman.

I would just like to commend you, Linda, personally and your Governor and certainly the legislature for putting together the GAIN Program. It is an exciting program and it will be very successful. So I want to congratulate you because I know how difficult our legislators are. They are very tough people to work with and I am sure you worked out a good deal. I want to congratulate you and the Governor and the entire California Legislature.

Ms. McMahon. I appreciate that.

Mr. Matsui. I would like to ask Mr. Atkins a question, if I may. How much money is coming from the WIN Program at this time, in terms of your ET Program?

Mr. Atkins. We will spend about $40 million this year on ET. We started off with $8 million at the beginning of the year from WIN. After the budget cuts from WIN this year, that amount got reduced to $6.5 million. And after Gramm-Rudman, it will go down to $6 million. So less than 20 percent.

Mr. Matsui. Obviously, if the WIN Program is eliminated or phased out, it is going to have a harmful effect upon your program, but will you be able to find other money someplace, in order to continue the program? Or is it going to be a question of priorities in your State budget and, this being an uncertain situation, you do not know whether the program will be as successful without that money?

Mr. Atkins. Without those WIN funds, we would obviously have a hole as big as 20 percent in our program. I would hope that the Governor would request that amount from our legislature, using State funds. I obviously cannot speak for him as to whether that would happen or not. Nor do I know if the legislature would approve it.

Mr. Matsui. In terms of the proposal outlined by Ms. Ross, the President's initiative, have you had a chance to review that yet?

Mr. Atkins. Yes; I have.

Mr. Matsui. How would that interface with your program at this time? If the WIN Program and other programs are eliminated, would you be able to continue on without any additional resources from your State, as you are at this time?

Mr. Atkins. Well, there are two problems. One is the money, as we were just discussing. It would put a hole in the ET Program. What I am frankly even more concerned about in Massachusetts, where we do have a large infusion of State dollars, is whether or not we would have the flexibility, which we currently have under the WIN demonstration project, which this is, to continue ET.

To answer your question, it is unclear at this point in time, in my conversations with Jo Anne Ross, as to whether or not we would be allowed to continue ET the way we are running it today. One strict reading of the President's budget says that welfare recipients would have to participate in either job search, which we do, or CWEP, workfare, which we do not.

Training through the Federal JTPA funded programs would be allowed, but any training or education funded with State dollars—obviously which we do a lot of in Massachusetts—by one strict reading of the President's budget, these activities would not be allowed.

And if that is the case, ET would come to a grinding halt.

Mr. Matsui. I see.

Mrs. Blum, who will be testifying after your panel, met with our subcommittee about 2 weeks ago, and her testimony and comments were very helpful. We had a number of good witnesses that participated in that hearing.

The subject did come up about morals. We watched Bill Moyer's program and, of course, we were following the Leon Dash six-part series in the Washington Post and the issue of morals came up. None of the panelists advocated this position, but the issue did come up about whether you can change the welfare psychology by changing the value systems of many of these people that are on welfare.

In fact, the Moyers program, in some areas, hinted that that was a proper approach. Was there any attempt to work on people's value system in your ET Program? Did that have anything to do with the program or did that come naturally, once they began to feel good about themselves again and their self-esteem went up?

Mr. Atkins. We have heard from countless number of women who have now left the welfare rolls as a result of ET that, in fact, this has meant a very major change in their lives. What is even more exciting is the many women who are still on welfare in Massachusetts who have heard from their friends who have left the welfare rolls, that there is this route out of poverty called ET. And they, too, want to participate.

What is sad, in many cases, is that many of these women—as the Chairman was discussing before—do not even have a high school education. And unless we do something in this society about finishing their education, they have no hope of going out there and holding down a job that will pay enough for them to get out of poverty.

If all they do is end up in a minimum wage job because they are just placed into a job without further education or training, at $3.35 an hour, that job will not bring them above the Federal poverty level of $8,800 a year for a family of three. Those people are not going to make it out there in the world of work and will be right back on the welfare rolls.

So yes; we have found that there has been a real encouraging sign from people who are on welfare in Massachusetts that, I think, destroys the myth that we have had in this country that welfare recipients do not want to work. We found, when given a choice, 9 times out of 10, they do want to work. They do want to get off of welfare. They have to, for the economic survival of themselves and their families. They almost do not have a choice.

Mr. **Matsui**. I appreciate that comment and I want to thank all three of you for your testimony and coming here today.

Chairman **Ford**. Mr. Gradison.

Mr. **Gradison**. Thank you, Mr. Chairman.

I have found all of the testimony to be extremely helpful and I am particularly struck by the chart, which was distributed by Mr. Atkins, and compared a number of States. My own State of Ohio does not come off too well in this, and I will just note that, lest it look like I have overlooked it because my question really has to do with the fact that California and Illinois do not look very good in comparison with Massachusetts.

Over the period covered by this chart, of AFDC caseload trends in the 12 largest States from 1983 through 1985, California shows 5-plus percent, Illinois almost 5-plus percent, and Massachusetts a drop of 8.6 percent.

Mr. Atkins, what are you doing that California and Illinois are not doing?

Mr. **Matsui**. May I? Would the gentleman yield?

Our program is just about to start.

Mr. **Gradison**. Let me rephrase the question.

What are you doing that they are not planning to do, based on what you heard here today? That is what I am really wondering about.

Mr. **Atkins**. Absolutely nothing. And I think, in fact, that is why California and Illinois, and about a half a dozen other States, are very excited about using the WIN demonstration authority to run programs that will help people get off the welfare rolls. Because what we have all learned, over the years, is it does not happen by itself.

If you just sit back and let the economy fluctuate out there, it is not going to do much about the welfare rolls and, in fact, it will be just increasing welfare dependency. And that is why we are here this afternoon, because there is a program that can help. And we think we have got it and you have heard the design of it, but that is my answer.

Mr. **Gradison**. Maybe our guests from Illinois and California ought to have equal time. Are you basically just going to do what Massachusetts has been doing and expect similar results?

Ms. **McMahon**. No. We traveled to Massachusetts. We also traveled to Pennsylvania and West Virginia. We went to our own county of San Diego. Probably San Diego was more the basis for our program than anything else, but we did look at the issue of choices and how we might fit that into a mandatory program, which ours is.

I think, just in looking at the caseload trends, that is one part of the story. Obviously, California has a higher population. I think you have to look at population growth, although I mention in my own statement that our caseload is growing twice as fast as our population.

And you have to look at benefits. California pays the highest, I think second to Alaska. We may be running neck and neck with New York. But we pay very high benefits.

So those things come into play. But that is why we realize that we must have some kind of viable work program that has good components in it. The components are sequenced in a way that we allow the marketplace to test first—which is one of the major differences of our program and the Massachusetts program.

So while we are taking some of the experience of Massachusetts, we are looking at the experience all across the country and in San Diego in particular and in several other counties in California that have run Job Search Programs and put that together in a way that does allow people to make choices about their own lives but also provides a certain level of responsibility that they must meet and consequences to not meeting those responsibilities.

Mr. **Gradison**. Mr. Coler, any comments?

Mr. **Coler**. Part of a State's level of increase or decrease in welfare case load is obviously a function of what your unemployment rate is. Illinois has been hit hard by the recession. We have lost a lot of our smokestack industry and although our unemployment has decreased, it certainly is not nearly that of Massachusetts.

So when you have a higher unemployment rate, it obviously makes the work of a Project Chance or a Project GAIN or ET more difficult. But nevertheless, I think the object of all of our programs is regardless of what the unemployment rate is, regardless of what jobs are there, we want to do everything possible to make sure that our welfare recipients can compete and compete very successfully for the jobs that are available.

Mr. **Gradison**. When should we invite you back, in terms of how long it will take for these changes to work out, a couple of years?

Ms. **McMahon**. For one thing, in California, it will take us 3 years just to have all the counties up with the program and another 2 years beyond that to have the full caseload on the program.

Mr. **Gradison**. I am not sure I will be here that long.

Ms. **McMahon**. We have a very intense evaluation built into the program, though, that will start in the first year. I think there are some counties that will be up and we will have enough information, based on the evaluation in a couple of years to assess the impact of the program.

Mr. Gradison. I hope you will keep us informed.

Thank you, Mr. Chairman.

Thanks to all the witnesses. Very helpful.

Chairman Ford. Mr. Pease.

Mr. Pease. Thank you, Mr. Chairman.

I appreciate the witnesses coming. I am sorry I had to go out for a little while. We were meeting on a conference committee on a subject which is the only one I can think of that may be more intractable than welfare, and that is how to pay for toxic waste cleanup.

But at any rate I appreciate the testimony, and I would really like to use this opportunity to learn a little bit.

Mr. Atkins. I'm interested in your testimony which I've just been skimming, about the difference between workfare and what I gather the three of you are offering.

Would any of you describe your programs as workfare?

Ms. McMahon. Well, the press does, and we have a component in our program which we call PREP and I think the Reagan administration calls CWEP and everybody else calls workfare. We have that component.

Mr. Pease. Workfare is a component of Project Chance?

Mr. Atkins. In Massachusetts, we've chosen not to have workfare part of our program at all.

Mr. Pease. What is it that's different, say, in Illinois between the workfare component and—what do you call it—Chance in Illinois?

Mr. Coler. Project Chance describes the total effort to move welfare recipients into full-time employment. Workfare is one component, one tool to use in accomplishing that, and it's been one that we have found has showed some success. Workfare is where a person has a work experience but receives their general assistance and/or welfare check in return.

It's been surprising to me how popular the program has been with the people who have participated in it and that it has, indeed, helped them greatly to move toward full-time, paid employment.

And as I say, it's one part of a program. A person might go through a workfare component and then move on to some other type of support as part of Project Chance to move them toward full-time employment.

Many welfare recipients come into competition for a job with a lot of different levels of deficiency, let's say, ranging from, let's say, illiteracy to, let's say, you just lost your job in a factory that closed down. So any program that's going to be comprehensive in a State has to have sufficient tools to deal with whatever those obstacles are, and, I think, a commitment to provide resources to the individual until they are able to successfully find employment with out help.

Mr. Pease. I gather, then, in the workfare component, people on welfare are required to work. They do not get paid anything beyond their welfare check?

Who provides the jobs? Are these public service agencies or government?

Mr. **Coler**. There are many nonprofit social service agencies, as well as Government agencies, as well as local governments, State government.

Mr. **Pease**. And do you think that has worked out reasonably well? Did I understand correctly that people who have gone through that aspect of it say that they were pleased?

Mr. **Coler**. I think that they—and you will have more testimony following this panel on the study that MDRC has been doing on these experiments, not only in Illinois but throughout the country—but early indications are that they indeed do assist welfare recipients to be better able to compete for jobs.

Ms. **McMahon**. The county of San Diego is the only county in California that has had a Workfare Program. They have a job search component first, and for those people—which is about 50 percent who go through—who don't get jobs at that point, they then go into community work experience or, I think they call it an experimental work experience program in San Diego.

I have visited several of those sites, talked to the people who have been involved in the program, both the individual recipients and the employers, and they are very pleased with the program. They feel—particularly the young women who have not worked or women who have been out of the workforce for a very long time—they feel that it is a protected way of getting back out or getting into the workforce, understanding what it is to have to cope with getting to work, dealing with transportation problems, arranging the day-care, all those things, meeting the responsibilities you have as an employee. They've said that it really gave them an experience that now they can turn into a reference and that it also gives them a feeling that, hey, I can go out and go to work, because many of these people unfortunately face this barrier that, for whatever set of reasons they've ended up on welfare and they've lost their own self-esteem and their own confidence that they can do something.

Mr. **Coler**. May I add, Congressman, in our State, we do pay for all the liability and workmen's comp for all of the agencies that will accept our workfare employees, and we require all of them to provide workfare employees with a letter of reference, whatever that letter might be, but the agencies are required to provide them with that letter at the end of the workfare experience.

Mr. **Pease**. In the component where you try to get people jobs in the private sector, I gather from your testimony that what you find is that even in the face of relatively high unemployment in California and in Illinois, ADC or welfare recipients who go through this program are able to compete reasonably well with nonwelfare jobseekers; is that correct?

Mr. **Atkins**. We found that to be the case, even in Massachusetts where, when we began the program in 1983 when our unemployment rate was over 7 percent. We're frankly quite surprised and, needless to say, very pleased that that happened. And I think it's back to this economic reality of a woman who's trying to raise her two children on less than $5,000 a year in cash doesn't have much of a choice, and when you give her a helping hand to go out there and compete like anyone else for a job, when you provide that daycare or transportation to get her over those barriers, it turns out she's a pretty fierce competitor. She's very motivated. And because we've been using Federal funds and our own State funds for training, she's also quite well trained. And we've heard this from employers, not all of whom know that they've hired welfare recipients, because frankly we haven't gone about labeling them as such because of the stigma attached to being on welfare, but those that do know are telling us they're very motivated and very well trained, and again, I think it's due to sheer economic survival, if nothing else.

Mr. **Pease**. Well, that's encouraging.

I'm interested in pursuing what one of you mentioned about people going out for minimum wage jobs which are not really up to the poverty level.

What happens if a person goes through your program and gets a minimum wage job at McDonald's or someplace of that sort? Can that person earn enough money at that private sector job to be as well off as he or she would be on welfare?

Mr. **Coler**. In the State of Illinois, if a person were to opt to take a minimum wage job, we would certainly encourage that as long as there was some career ladder there. What would happen would be that that individual would have a net of $200 more to support their family at the end of the month, because you don't have to leave welfare when you take a minimum wage job. And that is one of the, I think, very positive aspects of the current AFDC system, is that you can disregard income when you take an entry level position, that you're not expected in one fell swoop to move from welfare to a job that's going to pay you enough money to get you above the poverty level.

Ms. **McMahon**. Our welfare grants in California are high enough that people could have earnings over minimum wage and still be eligible for welfare.

Mr. **Pease**. Now does that continuum go right on up, so that a person in an entry level job can get a promotion and then another promotion and make a smooth transition?

My understanding was that at some point fairly early on, the job cuts enough money out of their welfare that they don't make any net gain—that in fact they lose from going on to employment.

Am I wrong about that?

Mr. **Coler**. The system is set up so that someone is not required to take a job, at least in our State, that is going to provide them with less than they would receive if they were on welfare benefits. But I must indicate to you that Illinois' welfare benefits are substantially less than both those of California or Massachusetts. We're 26th in terms of where our welfare benefits stack up among the 50 States.

Ms. **McMahon**. There is a point—I think it's fair to say, there is a point in any system where you end up with what they call the cliff. I mean, it isn't a smooth transition. But I think that you're discounting the fact that there are intangible benefits in working and that there are opportunities beyond just that entry level job. One of the things we did, for instance, in our California program was to say that we're going to have people who either do or don't have a labor market connection in recent times, go through Job Search first, because the marketplace should test their employability. We shouldn't be making social work decisions about whether people are employable.

On the other hand, for people who have been on and off aid more than three times in the last 2 years, our conclusion was, they know how to get a job. They just don't have skills to get them a job that's going to keep them off welfare. Therefore, we want to make sure that they go immediately into the assessment phase of the program, so we can determine what training or education opportunity they need in order to enhance those skills, so that they can get a job that ultimately will lead to their going off of welfare permanently.

Mr. **Pease**. OK. The staff refreshes my memory that under current law, the income disregard ends after 4 months; is that correct?

Ms. **McMahon**. Well, a part of it does.

Mr. **Pease**. Part of it but not all of it?

Ms. **McMahon**. Right.

Mr. **Pease**. Is that termination after 4 months a problem for these families?

Ms. **McMahon**. Well as I say, it depends on what the amount of money you're earning is, because in California, with our welfare grants, if you're earning minimum wage, the fact is you're still going to be eligible for welfare. So when you discount the amount of earnings against the grant, in the end you're still going to end up with the amount that you'd have if you weren't working at all.

Ultimately somewhere in that chain, you may be slightly worse off in terms of total dollars and the fact that you're having to expend money out of your pocket for work expenses and so forth. But in terms of the total look, not just how many dollars do you have in your pocket, people are feeling that they're better off.

Mr. **Pease**. Well, the reason I ask these questions is that this committee has the ability and the responsibility to initiate legislation changing the rules for income disregards.

I gather from your testimony today and your responses to my questions that you do not think that the current law is a serious problem in terms of operating the kinds of job programs that you're operating.

Ms. **McMahon**. That's correct. I do not.

Mr. **Atkins**. Under the WIN demonstration authority, we can do what needs to be done to help people get off of welfare. I am told, however, by staff, in particular from our Division of Employment Security in Massachusetts, that the single most important change that affected them back when OBRA took effect was the elimination of the so-called 30⅓ rule, which allowed people to earn money and still be on the welfare rolls. The elimination of that rule is what removed welfare eligibility for the working poor across the country.

And when I asked the staff out in the field what's the single most important thing you could recommend that we could do to make this program work better, they say to reinstitute the 30⅓ rule, which would let people keep more of their income and still be on welfare and have access to Medicaid benefits.

The counterbalance to that is that the welfare caseloads would go back up nationwide, although that overall it would be a good step out of welfare and into the world of work.

But again, my belief is that WIN demonstration authority is what we need to make sure we hold on and continue to make programs like this work.

Ms. **McMahon**. If I may, there is research that indicates that that is not a problem. I don't know what your staff is telling you or what it's based on, but the research indicates that people are not going back on welfare in droves, that the churning in the caseload is approximately the same that it was before the change in the 30⅓ rule, and that, in fact, the effect of 30⅓ past the 4-month period was to keep people on welfare, not to have them go off.

Mr. **Pease**. Let me ask you a related question. What about the availability of Medicaid in relation to these folks who are getting off of welfare and into jobs, or at least into jobs in combination with, perhaps, partial welfare? Does the availability of Medicaid represent a cliff phenomenon?

Mr. **Atkins**. In Massachusetts, we've found it's been a key barrier to employment, and I believe when you were out of the room, I was describing for the committee how we try and ensure that all our job placements do have health insurance provided by the employer in order to get over that cliff. We succeed in about two-thirds of our job placements, obtaining that goal, but we're quite concerned about the third that don't have health insurance provided by the employer.

Right now, they're all eligible to continue on Medicaid for 4 months. Governor Dukakis has requested of our legislature funds to continue them on Medicaid up to 12 months, which is what we do with day-care for ET participants. But we have found that to be a significant problem in Massachusetts.

Mr. **Coler**. The majority of our welfare recipients who take a job continue to receive Medicaid under what we call "medical assistance," no grant cases as they're called in the State of Illinois.

Mr. **Pease**. That program is funded by the State, is it not?

Mr. **Coler**. And by the Federal Government, 50-50.

Ms. **McMahon**. We also have a "Medically Needy Only" program for those who are not tied to the Medicaid Program, through cash assistance, so between those jobs that do provide health insurance, the "Medically Needy Only" program, those individuals who remain eligible for welfare and therefore Medicaid, and the people who don't fall in those categories but who will still get up to 9 months of Medicaid after they get a job, we don't think it is a problem.

Mr. **Pease**. Would it be fair to say in summary, that you don't find a lot of resistance from people on welfare going into these jobs programs out of fear of losing their medical insurance or Medicaid coverage?

Ms. **McMahon**. Well, to the extent that we've had experience, because the big part of our program is not in place yet, that does not seem to have been a problem, and people not only are in the program because it's mandatory, but also there are volunteers.

Mr. **Coler**. I've been overwhelmed with the response of people who are on our roles to the opportunities that we are now providing. There was a piece on—I believe it was one of the national affiliate's local news program—on Project Chance this week, and one of the programs was describing what we have. They've gotten 500 calls in the last 2 days from welfare recipients, and there was no number given, wondering how they could get in the program. We had 1,000 of our nonmandated women with kids under the age of 6 inquire about Project Chance before we ever announced it.

I am continually amazed at the kind of response that you get from people who are dependent on public assistance to the opportunity to go to work. I think that's what's different about these programs. We have now taken it on as our responsibility to really act as the employment agency for those who are on welfare, and that means providing opportunities, doing whatever it takes to remove those obstacles that stand between an individual and getting a job that's going to have a future to it.

One thing we're certain of is that welfare has no future.

Mr. Atkins. Congressman, if I could just answer your question specifically, we haven't found a lot of resistance. As I've said, it is a problem we found in Massachusetts for people and were concerned about it, because even if they're not, we, as a society, are going to pay those costs in the long-term if those kids need health care and they can't get it because the parent can't afford to provide it. And that's one of our concerns and reasons why we're going to try and provide the Medicaid coverage, even with 100 percent State funds.

Mr. Pease. Thank you, Mr. Chairman.

Chairman Ford. Thank you.

Mr. Matsui raised the WIN Program. How important is the WIN Program to the work activities of the programs that you've already instituted?

And I think there are two questions to that. Are the funds that are appropriated for WIN the important factor, the key to the program, or is it the structure of the WIN Program itself that responds to the work activities?

Mr. Atkins. In the case of Massachusetts, it's both, Mr. Chairman. The funds are terribly important, and even in States which have low benefit AFDC programs, where there's a great incentive to get off welfare to go to work, they are terribly important, because most of the savings from getting people off of welfare into work are going to accrue to the Federal Government.

So I really think, in general across the country, those WIN funds are terribly important, and we'd like to see them restored to the level they once were, so other States can do what we've been doing. They are all not as fortunate as we are in terms of having State legislatures that are willing to pump in money.

But the second thing that is terribly important is the flexibility that the WIN Program in particular. We're all WIN demonstration States, and a key feature of the WIN Demonstration Program that it allows the welfare department to take charge of the responsibility of getting people trained or educated and placed into a job.

Mr. Atkins. Under the old program, under the old CETA Program, the authority was spread all over the map. The WIN demonstration authority centralizes it in the agency that has the responsibility for providing welfare benefits, and hence we have the desire, if you will, in terms of the savings for us, of helping those people get off of welfare into jobs.

What we have done in Massachusetts is to have performance-based contracts with nonprofit and State agencies that are responsible for doing the training and education and job placement, but the WIN Demonstration Program allows us to run it, and it also allows us to put in additional State funds and to do the kinds of things we have done under ET. It is terribly important.

Mr. COLER. I would agree that WIN is a critical component of our budget.

Chairman FORD. Both the structure of it, as well as the——

Mr. COLER. I'd say the funds are more important than the structure, because the flexibility that you gave us in 1981 at least allowed Illinois to consider and move into Project Chance.

Ms. MCMAHON. If you are asking the question relative to the administration's new proposal as opposed to just in general, let me answer it that way:

We have looked at the new proposal, and we don't have enough detail right now to be able to juxtapose our program against that and determine whether with 50–50 funding for a lot of things, including day-care, it may be that we are no worse off without the WIN funding. There is a slight mistake in the figures you had. We had $32 million in WIN funds. It doesn't go up to 62.

Mr. MATSUI. I was talking about total WIN funding for fiscal years 1986 and 1987 to implement the GAIN Program.

Ms. MCMAHON. That $32 million of WIN funds is, the total of what we get in California. For GAIN, we have looked at using some JTPA funds, WIN funds to the extent they are available, 50–50 matching funds for job search and whatever is available under IV–A, plus education funds and a number of other things.

We are putting a lot of State money into the program, and we think it is worth the investment.

It is really not clear that neither the flexibility nor the funding is available through the new work opportunities initiative, because depending on how, for instance, they do the measurement of participation rates, we might be able to meet their 25, 50, and 75 percent participation rates, even though we will have some people in education programs, classroom training. That might be a problem, but it is not clear.

And again, as I say, I don't know until we could actually sit down and look at detail and compare and talk to them about what would and would not be funded under 50–50 whether we might be just as well off. It's really not totally clear.

Chairman FORD. Without the program?

Ms. MCMAHON. Without WIN, but instead with 50–50 funding for things that are within the program.

Mr. ATKINS. I agree with my colleague from California. It's unclear—I have already asked Jo Anne Ross—about specifically on the education and training components—whether we could continue it under the administration's plan. She doesn't have the answer yet, and it is something that obviously I am quite concerned about.

The other thing that I don't like at all about the administration's proposal is this business of 25, 50, and 75 percent minimum participation goals over time. And part of my reason for it is it is nonsense. It's like that registration business that we currently have to do by Federal law, simply filling out a form. It is an input, it's a process, and what we have learned through ET and the way we are managing the program under the WIN demonstration authority is that the bottom line is a placement into an unsubsidized job, and that has got nothing to do with participation or filling out forms; nothing at all.

Ms. McMahon. On the other hand, in California, our feeling is that we will have no unassigned recipient pool in our mandatory population. Everyone who is mandated to participate in the program—that is, those who are not exempt, which would be mothers with children under 6, and those who have mental or physical problems—will participate actively. So we will be meeting that participation requirement, anyway. That was our intention.

Chairman Ford. Let's move on now. If the Federal Government were to design a comprehensive work and education program, should the Federal Government mandate participation? If so, who should be required to participate?

In other words, should we have a program that is mandatory, that all recipients participate in, or should it be on a voluntary basis?

Ms. McMahon. Well, in California we made the conscious decision through a very heavy political process that in fact it should be a mandatory program. And that we did not go beyond the current mandatory requirements and current Federal law, so we do continue to exempt mothers with children under 6, and those with disabilities.

But, frankly, we are going to make a major effort to get mothers with children under 6 to volunteer, and my hope would be that down the road when we have this program up and running——

Chairman Ford. Is it reasonable now, in this day and time, to exempt those with children under the age of 6?

Ms. McMahon. I think so. And I think particularly the experience shows that those are the ones that we are most successful with. I think even Chuck mentioned that where they volunteer, we get them off the rolls sooner and they don't end up in the cycle of dependency. And I think——

Chairman Ford. What if they volunteer, if they come in on their own to participate? Are they less likely to go back on the rolls, as some have made the argument?

Ms. McMahon. We found in California, for instance, in the San Diego project, I found myself, by sitting down with people who were mandated to be in the program and asking them the question, how did you feel about coming into the program, and how do you feel about it now, that a number of those people said to me, "I would not have done this on my own. I didn't think this could do a thing for me." And they said, "I'm so glad to be here now. I mean, I found out things about myself and my way of going about looking for a job and so forth that I didn't recognize before."

And so the feeling on the part of——

Chairman Ford. Some suggest, though, if you make it mandatory, you're not really making it attractive enough to keep those recipients within the work force itself.

Ms. McMahon. It depends on what you are mandating. I mean if you are mandating that they participate in a program that is going to provide them real opportunities, I don't think they have a problem with it.

Chairman Ford. Mr. Coler.

Mr. **Coler**. I would agree, and I would suggest that you might want to consider looking beyond AFDC to State programs that are 100-percent funded with local tax dollars to provide general assistance, as it's called in Illinois, other names in other States. But that is where the majority of single black males are with an unemployment rate of 40 percent. We are providing the opportunity of Project Chance to those individuals. We have had mandatory workfare for everyone on general assistance in 1979 in Illinois, but we never before have had a program that really offered opportunity. Previously it was really in my mind a harassment to go out and do 20 job interviews, and if you didn't do that, lose your general assistance grant.

But the chance of any of those 20 cold interviews resulting in a job for the majority of people on our general assistance rolls was practically nil.

I think that you might want to consider the opportunity of perhaps participating with States in funding job programs for welfare programs that are totally State-funded. Because that is where you could get to a lot of the issues that were described in the Bill Moyers' program. Opportunities for employment for males who are single.

Chairman **Ford**. Mr. Atkins.

Mr. **Atkins**. To answer your question specifically, I certainly would not recommend mandatory programs for two reasons:

One, I personally don't believe that people do well when they are forced to do things they don't want to do. What we found in Massachusetts in 1982 when there was a workfare-type program—again, there was a retention rate of 37 percent of people stayed in the jobs for 30 days, whereas now we have got it up to 85 percent.

The second reason is simple business. We are spending about $3,000 on average for every person that we are placing into a job through the ET Program in Massachusetts. That takes in all costs, day care, health care, training, job placement, administration.

Why should we spend $3,000 placing someone into a job who doesn't want to be in that job? It is a waste of money.

Chairman **Ford**. Ms. McMahon, realistically, what percentage of your caseload can you actually serve in any given year? Say if you are going to mandate the program? I mean what percentage of your caseload can you actually respond to in a given year?

Ms. **McMahon**. Well, our expectation is that by the end of that fifth year when every county is up with both recipients and applicants involved in the program, that we will serve 170,000 people, which is approximately one-third of the adult population on AFDC.

Chairman **Ford**. Well, Mr. Atkins, let me pose that question to you. I mean since you have a track record already and you have already placed some 23,000 people, and we have talked about mandating a program, but being realistic about it, how many within that caseload can you respond to, sir, within any given year?

Mr. **Atkins**. If I could refer you to chart 6 in that package, Mr. Chairman, I can answer the question best by pointing out that again at the 2-year period point in time, that snapshot shows we had 12,000 people participating in ET.

If you add to that the fact that we are placing now about 1,000 people a month into jobs through ET, that total of 24,000 comes out to about 30 percent of our caseload. So we would meet that 25-percent participation goal if it was flexible enough or large enough to allow us to include education and training. If it didn't, we wouldn't even meet that bare minimum of 25 percent.

But to turn it around and look at it the other way, we have got more people who want to get off of welfare by going through ET than—even with 32 million dollars' worth of State funds this fiscal year—than we can provide training and education to.

There literally is a waiting list of people who want to go through this program in Massachusetts, and we are limited only by the lack of money, even in Massachusetts, to run a program like this.

So mandating participation is not the answer. I really think it is having the flexibility to have those education and training programs and having the funds—and again, in most States, it is going to mean Federal funds, because that's who is going to get most of the savings.

Chairman **Ford**. How do you respond to that, Ms. McMahon?

Ms. **McMahon**. Well, first of all, AFDC is a 50-50 match program, so to say that most of the savings accrue to the Federal Government is probably not correct. I mean half the savings accrue to the Federal Government and half accrue to the States.

Chairman **Ford**. But meeting this timeframe and time schedule with the number of people that he is talking about on the program, and they have a volunteer program.

Ms. **McMahon**. Well, we are putting a significant amount of State money into the program, as well as using Federal dollars.

Chairman **Ford**. But even with those dollars, if I understood Mr. Atkins correctly, you still can't meet those goals that are coming into the office on a voluntary basis.

Mr. **Atkins**. That's true, and I really wish to differ with my colleague from California. It is true that AFDC and Medicaid in California and Massachusetts and the other large States are 50-50. That is not true in all the States. In some States the Federal Government's share is much larger.

For instance, we went down to South Carolina at the invitation of Governor Reilly a few weeks ago to talk to them directly about how to put together an ET Program. In South Carolina the Federal Government picks up 73 percent of the cost, plus the Food Stamp Program is 100 percent federally funded.

So, again, in most States the Federal Government is going to get the biggest share of the savings through the reduction in welfare benefits, and I will define that as AFDC, Medicaid and food stamps, more than the States. That's what I meant.

Ms. **McMahon**. We are intending to have about $300 million in this program when it is at full capacity, and we are going to be spending more money than Massachusetts is. But that's our target. Obviously we don't have actual experience at this point.

Chairman **Ford**. You know, I often hear that States want flexibility when it comes to work programs for welfare recipients. What should the minimum Federal requirements be?

In other words, what should be left to the States' discretion? What is that flexibility that States want?

Mr. **Coler**. I think that the majority of States who are developing this type of program are more than ready to trade off flexibility for performance standards. I would suggest—and I certainly agree with Chuck, that that performance standard should not be a participation rate, it should be a placement rate. That is the only bottom line that anyone really cares about when they are managing these programs. It is those participation rates in the past that I think have gotten us into problems in CETA and other programs. It's placement that is critical.

I would suggest that the simpler type of—and it is not going to be easy to come up with a performance standard—but I think that I certainly would be, and my colleagues that I talk with are certainly prepared to accept performance standards that you would feel would make your investment of money into these employment programs have a reasonable return in terms of what you are getting for that investment.

Ms. **McMahon**. I guess one concern I would have is that in the past, placement rates have driven programs so that we direct our resources to people who were going to get jobs, anyway, and we then claim we help them. We get criticized for doing that. Whereas if we say we are going to look at how many people are involved in some kind of a work effort—frankly, I happen to think there are benefits to people being involved in something, whether it's job search or a training program or a community work experience program, something where they have to get up and show some responsibility, both for their own self-esteem and for their children as a role model, and for us as taxpayers.

I think there is value in that, and I would be afraid to see us driven once again by placement rates in a program so that we manipulate numbers. I think we do more of that with placement rates than we do participation. And I think participation could indicate that you are actively involved in a component, not that you just put your name on a piece of paper and you're registered. Clearly we should not go back to that in terms of let's just get them registered and then we have met the requirements.

Mr. **Atkins**. I come from the private sector. I have spent half my career in government and half in the business world, and the way things work in the private sector is bottom line. And to me the bottom line of this business is placing someone into a job. And I agree with my colleague from California that there is a lot of benefit to be had from going through some of these other programs, but it doesn't mean anything unless that person gets a job. And again, we can have all the workfare and public sector employment in the world, like we had under the old Public Service Employment Program in CETA, but unless there's a placement in an unsubsidized job, we are spending government money and not getting the results we ought to be getting.

Chairman **Ford**. Thank you very much. I want to thank the three of you for taking the time from your busy schedules to appear before the subcommittee today.

It goes without saying that we on this subcommittee and our colleagues on the full Committee on Ways and Means will be very dependent upon the resources that we can receive from the three of you and the others throughout this Nation. The Directors and Commissioners of Health and Human Services throughout this Nation will have to assist us, as we tackle this problem of welfare reform.

We are going to be asking and seeking your help and we are going to be very dependent upon all of you in providing information to this committee, to let us be privy to the information we will need in order to draft legislation.

I want to personally thank you on behalf of the subcommittee for coming out and testifying and sharing with us the information that we have received today.

Again, thank you very much, and unless there are some further questions——

Mr. **Matsui**. The only thing I might ask, Mr. Chairman, if you could request from all three of the witnesses comments on the impact of the President's proposal on their State program.

Chairman **Ford**. Mr. Matsui, we are going to do that with all 50 States. I have already directed Debra Colton a few minutes ago that we are going to list—going to itemize some things that we are going to need for the Commissioners to respond to the subcommittee on, and we are going to be calling upon all 50 States to do that. You will be hearing from us, and once again, thank you very much.

Ms. **McMahon**. Thank you.

Chairman **Ford**. I would like to call the last panel. Barbara Blum, president of the Manpower Demonstration Research Corp., and with her is the executive vice president of Manpower Demonstration Research Corp., Ms. Judy Gueron.

Good afternoon and welcome to the subcommittee.

Ms. **Blum**. Thank you.

Chairman **Ford**. We are delighted to have you with us again this week. You were here 2 weeks ago—last week rather.

Ms. **Blum**. Last week. And I am always pleased to be with members of this subcommittee.

Chairman **Ford**. Ms. Gueron, we are delighted to have you with us as well. You may proceed.

STATEMENT OF BARBARA B. BLUM, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP.

Ms. **Blum**. I am Barbara Blum, president of the Manpower Demonstration Research Corp. Today I am very pleased that Dr. Judith Gueron and I are able to share with you the mid-term results of our research in a 5-year multi-State demonstration of State work welfare initiatives. Before Dr. Gueron describes these important findings, I want to take just a few minutes to talk about some changes that have occurred in the welfare program during the past 4 years. These changes reflect, in many ways, shifts which we have seen occurring in public attitudes about women and work. The fact that many women now work has had a very strong influence on the way that welfare recipients, welfare administrators and the public at large now feel about work related requirements in the welfare system.

Since the passage of the Omnibus Budget Reconciliation Act, OBRA, in August 1981, many States have completed a substantial overhaul of their programs related to work. These are funded through WIN. The changes which have resulted are primarily of two types. First, many States restructured the administrative base of their WIN Programs, shifting responsibility from the employment service to the IVA or AFDC Agency, and redefining staff functions and responsibilities. Second, States have often strengthened their program offerings, placing much more emphasis on providing opportunity for the AFDC recipients to engage in activities designed to increase their employability, and reaching a much larger segment of the caseload than had been case before OBRA. Many of these changes were made in States which decided to operate a WIN Demonstration Program, but program initiatives are not confined to those States alone.

In short, considerable innovation and activity have continued to occur in the WIN system as States have responded to the flexibility offered in OBRA. These changes are important, because they indicate that even in a relatively small and very underfunded program like WIN, a program like that can be used to bring about changes in large entitlement programs like AFDC. In the space of a few short years, WIN staff have taken on new roles and functions, redefined program goals and objectives, and brought a new sense of purpose to their program. The result is a reassessment of both the relationship between work and welfare, and the notion that welfare receipt should be a passive entitlement.

As compared to the AFDC Program, WIN is very small. This year its Federal appropriation is $220 million, compared to a Federal budget estimated at $9.1 billion for AFDC expenses in 1986. Nevertheless, as the point at which the work/welfare linkage is forged, WIN remains a critical element for the AFDC Program. It is through WIN staff and administrators that the changes in expectations are communicated to clients and carried out in practice. Thus, this program remains a vital resource to be used in bringing about change in our AFDC Program.

As you will hear from Dr. Gueron, WIN should be viewed as a public investment which results in long term savings through the preparation of public assistance recipients for work.

We are pleased that MDRC can provide such solid and relevant data from the demonstration of State work/welfare initiatives to help shape your deliberations during the coming year. Dr. Gueron is executive vice president and director of research, and she will describe those findings. Thank you.

Chairman FORD. You are recognized, Dr. Gueron.

STATEMENT OF JUDITH M. GUERON, EXECUTIVE VICE PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP.

Ms. GUERON. I would like to present an abbreviated version of my testimony.

Three years ago at MDRC we began a 5-year social experiment examining current State efforts to restructure the relationship between welfare and work. States have sought to do this primarily by strengthening obligations on participants: obligations to search for work, or to participate in work experience, skills training or education as a condition for receiving AFDC benefits. They have also acted to change the mix of employment and training services and, as Barbara said, the institutional arrangements for administering WIN.

The impetus of this was the Omnibus Budget Reconciliation Act of 1981, which reflected a growing national consensus around the need to increase work and self-support among welfare recipients, and uncertainty about the feasibility and effectiveness of the administration's proposal for a nationwide workfare program.

As a result, OBRA gave States a chance to experiment, including, in the Community Work Experience Program, authority for the first time to require AFDC recipients to work in public or nonprofit agencies in return for their welfare benefits.

MDRC's demonstration of work welfare initiatives covers large-scale evaluations in eight States and smaller scale studies in three others. The project is funded by private foundations and the participating States and local foundations.

In this project there are no special operating funds for the States. As a result, the demonstration does not test ideas devised in Washington. Rather, the programs are those that States chose to implement, given the response to the flexibility in OBRA, and the restricted funding environment.

Thus, the initiatives we are looking at are often the States' WIN demonstration projects, and as such the demonstration, for the first time, provides rigorous answers on the effectiveness of WIN in its 1980's incarnation.

To assure that the project produced findings of national relevance, the eight large States are broadly representative of existing variations in local economic conditions, administrative arrangements, and AFDC benefit levels.

Demonstration locations include all or part of several large cities—San Diego, CA; Chicago; and Baltimore—and a number of large multicounty areas that span urban and rural centers in Arkansas, Maine, New Jersey, Virginia, and West Virginia. The smaller studies were in Arizona, Florida, and Texas.

The demonstration tests not one program model, but a variety of strategies. Some State programs are limited to one or two activities, some offered a wider mix. Most require participation as a condition of benefit receipt, but two were voluntary.

Contrary to some expectations, the States we have been looking at did not choose to implement universal workfare. An approach that was even more prominent was job search. Among the eight States, only West Virginia operated a workfare program with no limit on a recipient's length of participation, as in the design originally included in the administration's 1981 proposal. But this was directed primarily at men in the AFDC-U program, rather than women on AFDC.

Other States—Arkansas, California, and Illinois—established a two-stage program of job search followed by short term—usually 3-month—workfare. Maryland offered, for example, a range of education and training options, with choices tailored to individual needs and preferences. And two of the States, New Jersey and Maine, established voluntary on-the-job training programs with private employers using grant diversion as a funding mechanism.

The projects also varied in scale. None operated statewide for the full AFDC caseload. Most were directed only at women whose youngest child was 6 or older—the WIN-mandatory part of the caseload. And within that category they differed in the groups targeted, sometime mainly applicants, sometime recipients. In one of the States, Arkansas, that WIN mandatory age was reduced to women with children 3 or over.

The States also differed in objectives, with some placing relatively more emphasis on human capital development and long term self-sufficiency and others on immediate placements.

The demonstration is structured as a series of 3-year studies in each State which, because of the phase in of State activities, extends over a 5-year period.

Final results are now available from three of the States, Arkansas, Maryland, and the program in San Diego, and interim results are available for most of the others.

In reviewing these findings, it is important, given the differences across States in the characteristics of the targeted welfare recipients, the local economic conditions and the AFDC benefit levels, not to use the early results to reach firm conclusions on the relative effectiveness of the different program approaches.

In this demonstration, we looked at four basic questions and I am going to talk about the questions in turn, and what we have learned about them. The first one was: Is it feasible to impose obligations or participation requirements as a condition of welfare receipt? Given what I view as the negative track record on this question prior to 1981, a major question was whether the existing bureaucracy would implement mandatory programs.

In some cases, we have learned that the answer is yes. In most of the States studied, participation rates are running above those in prior, special demonstration programs or in the WIN Program. Typically, within 6 to 9 months to registering, about half of the AFDC group have participated in some activity.

Findings from the program from men, AFDC-U, in West Virginia, and the San Diego program suggest that at least in those two environments and for these segments of the caseload, it is possible to implement a broad participation obligation.

While this is a major change from the pre-1981 record, other States appeared to experience more difficulty, depending on such things as prior staff experience, the capacity of the agency, attitudes, program philosophy, demographic characteristics and local conditions.

Thus, while MDRC's findings point to the feasibility, in some circumstances, of running large-scale mandatory programs for a substantial subset of the AFDC caseload, questions remain about the potential for replicating that in other States or on a larger scale, and about the feasibility of an open-ended participation obligation imposed on the entire caseload, as proposed in the administration's work opportunities and welfare legislation.

Among the unknowns are the required levels of staffing and funding, the feasibility of developing adequate slots, and the extent of displacement. It was clear, for example, from the demonstration in West Virginia, that it took extra funds to raise participation rates to saturation levels. A mandate to increase participation without at the same time increasing resources could risk the development of a program which has lots of paper and little real programmatic content.

The second question we looked at was what do workfare-type programs look like in practice and how do recipients themselves judge the fairness of a mandatory requirement? Much of the workfare debate hinges on the nature of the work site experience. Is it punitive or make work? Does it develop skills, provide dignity, et cetera?

The results from our work suggest that, first, the jobs were generally entry-level positions. Second, while the positions did not primarily develop skills, they were not make-work. Third, a large proportion of participants responded positively to the work assignments. And finally, many recipients, however, believed they were underpaid and would have preferred a real job.

These findings suggest that most States did not design or implement CWEP or workfare with a punitive intent. And, possibly because of this, the survey indicated that the majority of participants in most of the States shared the view that a work requirement was fair. These results are consistent with findings from other studies that show that the poor want to work and are eager for opportunities to do so.

While this evidence is striking, it should not be used to draw conclusions about the quality of programs or the reactions of welfare recipients if workfare requirements were implemented on a larger scale or differently designed or of much longer duration.

The third question we looked at is: Do these initiatives make a difference? Do they increase employment? Do they reduce welfare dependency?

Experience suggests that this is a very difficult question to answer. Other researchers have shown that, contrary to popular expectation, half of all welfare recipients normally move off the rolls within 2 years. That is, without any kind of work program.

Thus, if a study estimates impacts or cost savings based only on the behavior of program participants, the usual way that program administrators have to look at programs, it will overstate program accomplishments by taking credit for those who would have found jobs on their own.

The challenge, in assessing program impacts, is to distinguish program-induced changes from the normal dynamics of welfare turnover. This requires data on what people would have done in the absence of the program, that is, data on a control group.

In eight of the States, the research in this demonstration is structured to avoid the major criticism of earlier evaluations. In an unusual, very unusual, display of commitment, human resource commissioners in these eight States cooperated with the random assignment of over 35,000 individuals to different groups, some participating in the program and some replaced in a control group receiving limited or no services.

Let me stress that it is very, very rare that we have an evaluation using this kind of reliable procedure. In fact, never before has the entire WIN delivery system been assessed using this technique as the WIN Demonstration Program is in some of these States. This is not the usual case where we have many numbers but little that is defendable. In contrast, this type of study sets a tough standard that accurately distinguishes real program impacts.

Recently completed studies in San Diego, Baltimore, and two counties in Arkansas tell a complex story centering on consistent, although relatively modest, employment gains but differences in welfare savings. In interpreting these results, it is important to remember that they are averaged over a large segment of the caseload, for example, all applicants—both participants and nonparticipants. Thus, even relatively small changes multiplied by a large number of people can have considerable policy significance.

For example, in San Diego, the program of mandatory job search followed by short-term workfare for new applicants for AFDC increased the percent of people who found regular jobs over a 15-month period by 6 percentage points—from 55 percent for the control group to 61 for the people in the program. As a result, over the same period, the average person in the program earned $700 more than the average person in the control group, an increase of 23 percent.

Over this same period, there were relatively more limited changes in welfare dependency and benefit payments because, as Linda McMahon explained, you can be on welfare while you are working, and average welfare payments ran about $288 below those to controls, a reduction of almost 8 percent.

The studies of the job search program in Arkansas and the multicomponent program in Baltimore also show that these led to increases in earnings, with the amounts varying per State. There were, however, differences in the extent to which they resulted in welfare savings.

Now the fourth and last question we asked was: How do benefits compare to costs? And we did this in two different ways. First we asked, from the perspective of welfare recipients, do they gain or lose through participation in this program? And second, we asked what about taxpayers? Do they come out ahead or behind from the implementation of this program?

In doing this analysis, we included both changes that could be directly measured from our follow up data and additional, projected findings for up to 5 years after the time when people were randomly assigned and included in the study.

Looking at the net benefits, that is the benefits minus the costs, there were striking differences across the three States. In the San Diego job search/workfare program, both the taxpayers and the AFDC women themselves came out ahead by a substantial margin. Over the 5-year period, budget savings averaged about $950 per person in the study and the average woman in the AFDC program had net benefits of about $800 over the 5 years.

Put another way, on average, every dollar spent on the program led to budget savings over the 5-year period of about $2.50. And while job search alone was also cost effective, the benefits were higher if job search was followed by a short-term workfare assignment.

In Baltimore and Arkansas, in contrast, gains went primarily to one or the other group. In Baltimore, the major gainers were the AFDC women. In Arkansas, it was the taxpayers. And we are doing additional followup on the Baltimore program because we think that there may be further taxpayer savings down the line, since that program had a heavy educational and training component.

The net effects on government budgets suggest several important conclusions. First, in the short run, these programs will usually cost rather than save money. This reflects the fact that almost all of the costs are incurred up front, but the benefits accrue over time.

Second, the San Diego study provides some very unusual findings on the distribution of benefits across the Federal, State, and county budget. While all three levels of government ultimately came out ahead under the particular funding formulas in place for that program, the Federal Government, which bore the majority of the costs, also got the majority of the benefits.

Indeed, without Federal funds—or if these had been substantially reduced—the State and the county would have had no financial incentive to run the program.

These findings highlight the importance of continued Federal support, if States are to be encouraged to undertake welfare employment initiatives that may ultimately prove cost effective.

In conclusion, the results to date suggest six major lessons. First, they suggest the feasibility under certain conditions and at the relatively limited scale in which they were implemented of tying welfare receipt to participation obligations. However, in contrast to what might have happened, in most States this meant participation in job search, with workfare used only in a limited way for a relatively small proportion of the caseload.

Second, the results suggest that a number of quite different approaches will lead to increases in employment. Overall, the results to date do not point to one single uniform approach that merits national replication, suggesting instead the continued value of some degree of State flexibility.

Third, when the mandatory activity is workfare, the interim results do not support the strongest claims of critics or advocates. On the former, today's workfare is more likely to be designed to provide useful work than simply a quid pro quo for the grant. And under these conditions, welfare recipients generally do not object to working for their grant.

However, nor do the findings justify the more extreme claims of proponents: The work positions provide little skills development and the impacts are modest.

Fourth, a consistent lesson from the impact results available so far, and from earlier research, is that programs make their greatest difference for those enrollees who would be considered the most disadvantaged or the least employable. This does not mean that these hard-to-employ groups had the greatest placement rates or the highest levels of post-program employment. Quite the contrary.

While seemingly contradictory, this pattern is consistent with the dynamics of the welfare population. For many, welfare receipt is only a temporary source of aid. A program achieving high placement rates by working with people who would have found jobs on their own may look more successful, but in fact, may not have accomplished much.

In contrast, a program working with those who would do very poorly on their own may have less impressive placement rates, but may have made a major change in behavior. This is the case in all of the three States we examined. For example, in Baltimore, the impact on employment was twice as high for the more disadvantaged compared to those who had prior work experience.

Fifth, the results to date also confirm the importance of using an evaluation design with a randomly selected control group. Underlying the modest impacts we found are subtle differences over time and across subgroups and locations.

If participants had been compared to individuals in different counties or selected nonparticipants, rather than to a control group, these effects might have gone undetected or their validity been questioned.

Sixth, and my final point, the findings also point to the extent to which estimates of cost savings derived from operating data on program participants without reference to the behavior of a control group can overstate a program's true effect.

For example, in San Diego, 78 percent of the people in the study group were receiving welfare when the study began, which fell to 35 percent by the end of the 18-month followup. Without a point of reference, this suggests that the program resulted in a 43-percentage point reduction in the rolls.

In fact, findings from the control group indicate that most of the departures from welfare would have occurred anyway. The real reduction in dependency was only about 1 percentage point, although the reduction in average grants was greater.

For those used to grandiose claims this may seem discouraging. But the careful impact and benefit-cost studies reported here show that work approaches for welfare recipients can increase employment and be cost effective. However, the gains are not going to be dramatic, and the savings are going to be limited.

Nevertheless, these savings may often be sufficient to justify costs. And research has shown that it may also be possible to target resources more carefully, and thereby further increase program effectiveness.

In short, programs do not necessarily have to lead to major changes to be worthwhile. Small changes can lead to large savings if the impacts are long lasting, or if they occur for a large number of people.

Thus, the research points to an important finding about expectations. In the past we have had to oversell social programs to convince policymakers that they are worthwhile investments. The data from these state programs suggests that this is not necessary.

Thank you.

[The prepared statement follows:]

TESTIMONY OF

JUDITH M. GUERON

EXECUTIVE VICE PRESIDENT

MANPOWER DEMONSTRATION RESEARCH CORPORATION

INTERIM FINDINGS FROM THE DEMONSTRATION OF STATE WORK/WELFARE INITIATIVES

For the past 25 years, administrators, legislators, and academics have debated the appropriate design of the nation's welfare system, particularly the federally-supported Aid to Families with Dependent Children (AFDC) program, which primarily provides assistance to single-parent families. A central question has been whether welfare programs should continue to be structured as broad entitlements, with aid determined by categorical eligibility and income, or instead be reshaped to impose obligations: obligations for recipients to perform unpaid work -- "workfare" -- or to participate in some employment-related activity, such as job search or skills training.

Three years ago, the Manpower Demonstration Research Corporation (MDRC) began a five-year, large-scale social experiment examining new state initiatives to restructure the relationship between welfare and work. States are doing this not only by introducing participation requirements, but also by changing the mix of employment services and the institutional structure for administering the Work Incentive (WIN) Program, the federal work and training program for AFDC recipients.

In its ongoing 11-state study of these changes, known as the Demonstration of State Work/Welfare Initiatives, MDRC is addressing a number of key questions about the feasibility and effects of the new programs -- questions that also speak to the design of future welfare policy:

> Can the current welfare delivery system be adapted to impose obligations -- or participation requirements -- on its recipients as a condition of welfare receipt?
>
> What do these mandatory activities look like in practice, and how do welfare recipients view this limitation of their entitlement?
>
> How does the joint "treatment" -- i.e., the imposition of an obligation to participate and the specific activity participated in -- affect employment and welfare outcomes over time? How do the impacts vary across different environments and among different groups of welfare applicants and recipients?
>
> How do overall program benefits compare to costs, and how are costs and gains distributed between "taxpayers" and welfare recipients?

After discussion of the policy context for the demonstration and the study design, this monograph summarizes the major lessons midway through the multi-year project.[1]

I. The Policy Context

Even before the establishment of the modern welfare state, there was tension between two central social values pertaining to work and poverty:

> The expectation that the community should provide adequate assistance to the poor who are not able or should not be expected to work; and
>
> The expectation that the able-bodied should work to support themselves and their families.

Starkly framed, the dilemma is still how to provide adequate support to those unable to work (e.g., children or the disabled), without discouraging the employment of those who can (e.g., the parents of these children), and to accomplish this at a reasonable cost. Given the broad diversity of the welfare population, it has been difficult to determine how to apply these expectations. For the severely disabled at one extreme --

and for working-age men at the other -- the matter has been comparatively straightforward. For poor single mothers, there has been more controversy, but a recent major change has taken place in the relative emphasis given to ensuring the well-being of children and the importance of their parents' work and self-support. When federally-supported public assistance became law in the Social Security Act of 1935, the major goal was to reduce poverty among children. The initial assumption was that only a small group of poor mothers would receive AFDC on behalf of their children: widows and the wives of disabled workers who -- like other women -- were expected to be at home caring for their children. Since then, several developments began to challenge public perceptions about the employability of welfare mothers and the appropriate design of the AFDC program.

First, in the late 1960s and early 1970s, AFDC caseloads and costs were growing rapidly, as were the proportions of divorced and never-married recipients. Second, the employment rates of all women -- including single parents -- increased dramatically, leading many to reconsider the equity and appropriateness of expecting that welfare mothers should be supported without working.

Third, while recent research confirms that most people use welfare for only short-term support, it also points to a not insignificant group for whom AFDC serves as a source of long-term assistance.[2] The growing concern about the effects of such dependency has prompted intensified efforts to increase the employment of this long-term recipient group. Finally, interest in mandating participation in work or some work-related activity was spurred after a series of negative income tax experiments in the 1970s suggested that financial incentives to induce work were both costly and not very effective.

For all of these reasons, a consensus has been building in recent years that the AFDC program should be redesigned to reconcile more appropriately its original goal of reducing poverty among children with the now prevailing view that employable women -- as well as men -- have a responsibility to work and support their families. As a result, welfare reform proposals have increasingly stressed the value of introducing some form of a comprehensive work requirement, under which "unemployable" individuals would continue to receive transfer payments based only on income, while the able-bodied would have to participate in a work-related activity and accept employment, if offered.

An early harbinger of the policy shift was the enactment of the Work Incentive (WIN) Program, a work and training program targeted to able-bodied AFDC recipients. Introduced as a discretionary program in 1967, WIN became mandatory in 1971: As a condition of receiving AFDC benefits, all adult AFDC recipients who had no pre-school children or barriers that kept them at home were required to register with the state employment service, to participate in job training or job search activities, and to accept employment offers. While in theory WIN imposed a participation obligation, it was in fact never funded at a level adequate to create a "slot" for each able-bodied person -- the precondition of a real work test.

Under pressure to cut welfare costs and to increase employment opportunities, both the Carter and the Reagan Administrations introduced new approaches to make work requirements real. The Carter Administration proposed guaranteed Public Service Employment jobs; the Reagan Administration pushed for universal workfare. Under both options, employable AFDC recipients who failed to locate jobs, either on their own or with program assistance, would be required to work in return for public aid. There was, however, an important difference in the level and form of that aid. Under the Carter proposal, welfare recipients were guaranteed full-time jobs and paid wages; under workfare, there was no compensation beyond the public assistance check (except for the limited reimbursement of expenses), and the required work was not necessarily full-time.

Congress rejected the Carter Administration's proposals as too expensive. Later -- uncertain about the feasibility, effectiveness and cost implications of mandating workfare nationwide -- Congress gave state welfare agencies the option, but not the requirement, to experiment with workfare-type programs and to restructure the administration of welfare employment programs. Under the Community Work Experience Program (CWEP) provisions of the 1981 Omnibus Budget Reconciliation Act (OBRA), states could for the first time, as part of their regular programs, require AFDC recipients to work in public or nonprofit agencies in return for their welfare benefits.[3] In addition, under the OBRA WIN Demonstration provisions, the state welfare agencies could assume greater authority for and flexibility in implementing the WIN Program. As part of that flexibility, agencies were authorized to fund on-the-job training programs by diverting recipients' welfare grants into wage subsidies for private employers.

The OBRA options left welfare administrators with a number of questions to contend with in designing their new work and welfare programs.

- Would mandatory or voluntary approaches have the greatest impact on caseloads?
- Should programs offer the same treatment to all recipients or tailor services to different groups of individuals?

- Should treatments be short and low-cost -- or longer and more intensive?
- Should programs be structured as fixed sequences or offer many activities to be individualized according to need?

Unfortunately, there were few facts and even less solid analysis to help administrators in their planning decisions.

The uncertainty was particularly acute about the use of mandatory workfare.[4] Supporters touted the advantages of work requirements. First, claiming that the AFDC program was undermining the work ethic, they argued that employable welfare recipients owed society work, and, if required to perform it in exchange for their grants, many would be deterred from seeking welfare. Second, they contended that workfare-type programs would improve recipients' employability -- indirectly through instilling a sense of responsibility, or the "work ethic" -- and directly, by the job skills provided through well-structured work experience. Thus, they argued, a workfare program would reduce welfare dependency because some recipients would leave the rolls faster; some would never apply; and some would refuse work assignments because of conflicts with unreported jobs.

In addition, workfare supporters cited the useful public services that could be performed in mandatory public jobs. Finally, they pointed out that, by forging a direct connection between welfare and work, workfare bestowed greater dignity on recipients and would in turn increase public support for the AFDC program.

Critics challenged these claims. Given the existing delivery system and the nature of the welfare population, they queried whether a large-scale participation and work requirement could be enforced in a manner that met acceptable standards of fairness -- ones differentiating between recipients who should, for good cause, be exempted from a work obligation, and those who should instead be sanctioned for noncompliance. Questioning whether a sufficient number of useful jobs could be created that provided employment skills and yet did not displace regular workers, they feared that a workfare program would tend to be punitive.

Critics also believed that participation in workfare programs would not speed the transition from welfare to work because the economy did not generate enough jobs and program services were of limited value. Moreover, they questioned the assumption that people would move off the rolls to avoid workfare jobs, and they saw no need to create a work ethic that was already there. As a result, they argued that administrative costs would exceed any potential program savings. Finally, critics maintained that public employee and other groups would not accept the supplementation of the workforce by unpaid public assistance recipients. As evidence, they cited the record of implementation failures for previous workfare-type programs and the lack of any reliable data on cost-effectiveness.

II. The Demonstration of State Work/Welfare Initiatives

The 1981 OBRA law provided a unique opportunity to address both the workfare controversy and the impact of a variety of other welfare employment reforms. To do this, MDRC has worked with eight states since 1982 to design large-scale evaluations of their new welfare employment initiatives and with three states to conduct smaller-scale studies. The resulting Demonstration of State Work/Welfare Initiatives is unusual in its funding and structure, the different treatments being examined, the scope of the research agenda, the nature of the design, and the sources of data.

A. The Demonstration Structure

The funding structure of the demonstration established some basic parameters. The research is supported by a challenge grant from The Ford Foundation, with about 50 percent of the funds for each state study coming from the states (which sometimes used special federal demonstration grants) or local foundations. In general, participating states received no supplemental operating funds. As a result, the demonstration is not a centrally designed experiment, with states or localities funded to operate one specific program approach. Rather, the evaluation centers on the different initiatives states themselves chose to implement in response to OBRA during a period when programmatic and administrative funds were sharply curtailed. In those areas where these initiatives replaced the pre-1981 WIN Program entirely, the MDRC study also evaluates all or part of the new WIN Demonstration programs.[5]

To assure findings of national relevance on the feasibility and effectiveness of the OBRA-generated changes, MDRC selected a group of states (including major urban areas) that were broadly representative of the variation across the country. Local conditions, AFDC benefit levels -- which ranged in 1982 for a family of three from a low of $140 in Arkansas to a high of $526 in California -- administrative arrangements and capacity, all played a part in the final selection, as did the program structure and activities.

As a result, demonstration locations include all or part of several large cities (San Diego, Baltimore, and Chicago) and a number of multi-county areas that span both urban and rural centers, as in Arkansas, Maine, New Jersey, Virginia and West Virginia. (See Table 1.) In each of the states, the projects are of sufficient scale to begin to test the limits of administrative feasibility and to provide data that are far more reliable than information collected in prior special demonstrations.

B. The Experimental Treatments

Because the demonstration does not test one program model but a considerable range of strategies, participating states can be aligned along a number of different dimensions. Some limit their programs to one or two activities in which all eligible persons are expected to participate, while others offer a wider mix of services, but still require participation in some activity. A few do not require participation, but rely on a voluntary approach. The states also differ in the scale and scope of the new initiatives and the target groups they seek to reach.*

Among mandatory programs, job search is a more prominent activity than work experience. Only West Virginia operates a straightforward, open-ended workfare program, and it is targeted primarily to the mostly male AFDC-U population rather than the mainly female AFDC caseload. Other states (Arkansas, California and Illinois) have established a two-stage program: job search, followed by a limited, usually three-month, work obligation for those who have not found unsubsidized jobs in the first component. Virginia also requires job search of everyone, with CWEP an option in an array of succeeding mandatory services. Maryland's Options Program in

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* For the sake of clarity in the discussion that follows, this monograph often refers to the programs by state name, even though, in some cases, the programs are operated in only part of a state.

TABLE 1

KEY CHARACTERISTICS OF STATE WORK/WELFARE INITIATIVES

Item	Arkansas^a	San Diego, California^b		Chicago, Illinois^b		Maine
Program Model	Job search workshop followed by individual job search and 12 weeks of work experience.	Job search workshop.	Job search workshop followed by 13 weeks of CWEP.	Individual job search.	Individual job search followed by 13 weeks of work experience.	Pre-vocational training, work experience and on-the-job training funded by grant diversion.
Nature of Requirement to Participate in the Experimental Program	Mandatory	Mandatory		Mandatory		Voluntary
Study Area^c	Pulaski South and Jefferson Counties	County-Wide		Cook County		Statewide
Target Group	WIN-mandatory AFDC applicants and recipients including women with children aged 3 to 5.	WIN-mandatory AFDC and AFDC-U applicants.		WIN-mandatory AFDC applicants and recipients (including recently approved cases).		AFDC recipients on welfare for at least six consecutive months.
Research Method	Random assignment. Controls get no services.	Random assignment to either of two experimental groups. Controls get WIN services.		Random assignment to either of two experimental groups. Controls get limited services.		Random assignment. Controls get WIN services.
Sample Enrollment Period	June 1983 - March 1984	October 1982 - August 1983		July 1984 - November 1985		October 1983 - December 1984
Final Sample Sizes	1153	AFDC: 3596 AFDC-U: 3406		10,000 (estimated)		456

(continued)

TABLE 1 (continued)

Item	Baltimore, Maryland[a]	New Jersey	Virginia[b]		West Virginia	
Program Model	Multi-component, including job search, education, training, on-the-job training and 13 weeks of work experience.	On-the-job training funded by grant diversion.	Job search followed by 13 weeks of CWEP.	Job search followed by 13 weeks of CWEP, education or training.	CWEP -- unlimited duration.	
Nature of Requirement to Participate in the Experimental Program	Mandatory	Voluntary	Mandatory		Mandatory	
Study Area[c]	10 out of the 18 Income Maintenance Centers.	9 of 21 counties	11 of 124 agencies (4 urban, 7 rural)		9 of 27 administrative areas	
Target Group	WIN-mandatory AFDC and AFDC-U applicants and recipients.	WIN-mandatory and voluntary AFDC recipients.	WIN-mandatory AFDC applicants and recipients.		WIN-mandatory AFDC and AFDC-U applicants and recipients.	
Research Method	Random assignment. Controls get WIN services.	Random assignment. Controls get WIN services other than on-the-job training.	Random assignment to either of two experimental groups. Controls get no services.		For AFDC's, random assignment. Controls get WIN services.	For AFDC-U's, matched-county comparison design.
Sample Enrollment Period	November 1982 - December 1983	October 1984 - March 1985	August 1983 - September 1984		July 1983 - April 1984	March 1983 - May 1984
Final Sample Sizes	AFDC: 2823 AFDC-U: 349	2,000 (estimated)	3148		AFDC: 3695	AFDC-U: 5745

NOTES: [a] In Maryland and Arkansas, a full evaluation was conducted in the indicated counties and a process study was done in other counties.

[b] In San Diego, Virginia and Chicago, there are two different experimental treatments.

[c] In addition to the study areas, Virginia and West Virginia implemented the program statewide and Arkansas, Maryland, and Illinois in selected other areas.

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Baltimore provides a mix of education and training services (including job search and unpaid work experience) that are matched to enrollees' needs or preferences in much the same way as are the offerings of the Massachusetts' Employment and Training (E.T.) Choices Program. Some states (including New Jersey and Maine) have avoided mandatory approaches altogether, and have implemented voluntary on-the-job training programs with private employers, using grant diversion as a funding source.[6]

The states also differ in their definition of program objectives. Some place the main emphasis on human capital development: i.e., helping welfare recipients to obtain better jobs and achieve long-term self-sufficiency. Others stress more immediate job placement and welfare savings. In one demonstration state, West Virginia, administrators cite the work requirement, with or without welfare savings, as a way to improve the image of the welfare program and increase public support for higher grants.

Thus, the states vary in the extent to which they have emphasized and enforced a participation obligation. While most planned to increase participation above the levels achieved in the WIN Program and to reduce staff discretion in determining who should participate, few clearly articulated a goal of full, or universal, participation.

Each program can therefore be described as a distinct multi-dimensional treatment, one with a specific degree of obligation and a certain mix and intensity of services and activities. The program's impact will depend on both factors. In some cases, the treatment can be characterized as a work requirement (where eligible persons either have to find regular jobs or work in return for their grants); in other cases, it is a participation obligation (where those eligible have to participate in program activities designed to help them obtain employment but do not necessarily have to work for their grants). Both types of treatments are called participation obligations in the ensuing discussion.

The projects also differ in their scale of implementation and in the extent to which they cover the welfare caseload. Five of the programs operate in only part of a state, sometimes in one city or county. Within that area, all of the programs target a substantial segment of the welfare population, but none of the eight covers or "saturates" the entire caseload. As shown in Table 1, each state focuses on somewhat different groups in that caseload: new applicants for welfare or existing recipients (usually only a subset of the recipient caseload, e.g., newly mandatory recipients); those receiving AFDC (primarily women) or AFDC-U (primarily men).[7] Only Arkansas requires participation by women with children under six -- the majority of welfare cases.

C. The Research Design

The research study is designed to address four basic questions:

> Question 1: Is it feasible to impose obligations -- or participation requirements -- as a condition of welfare receipt?

The pre-1981 experience of low participation rates, high unassigned caseloads, staff resistance, and implementation failure would suggest that a large-scale participation requirement is not feasible. Indeed, one observer predicted that work requirements would be "inoperable in practice" and require a degree of coercion that would have "violated notions of fairness and rights."[8]

One part of the research study looks at participation rates and patterns to determine if the post-OBRA programs had similar problems. A major question is whether -- with the existing administrative structure and limited resources -- the states did in fact implement broad participation obligations, or if workfare and other activities were used simply as additional tools in the usual array of WIN services.

Question 2. What do workfare-type programs look like in practice, and how do welfare recipients themselves judge the fairness of mandatory requirements?

Much of the workfare debate hinges on the nature of the worksite experience. Are the positions punitive and make-work? Is the system coercive and stigmatizing? Or, does the work produce useful goods and services, provide dignity, or develop work skills? To shed light on this controversy, the MDRC study includes an in-depth survey of a random sample (totaling 634) of supervisors and participants from the six states with mandatory work experience.

Question 3. Do the state initiatives reduce the welfare rolls and costs and/or increase employment and earnings?

In seven of the states, the study examines the treatments' effects on welfare and employment behavior. (In New Jersey, the research looks only at welfare impacts.) These are difficult effects to measure. Contrary to popular expectation, other researchers have shown that half of all welfare applicants normally move off the rolls within two years.[9] Thus, if a study estimates employment impacts or welfare savings based only on participants' behavior (e.g., their job placement or employment rates), it will overstate program accomplishments by taking credit for those who would have found jobs on their own. The challenge in measuring program impacts is to distinguish program-induced changes from the normal dynamics of welfare turnover. This requires data on what people would have done in the absence of the program: that is, data on a control group.

The research design for the MDRC demonstration was structured to avoid the major criticism of many earlier evaluations of welfare employment programs. Those either lacked control groups or had ones that did not correctly mimic the behavior of the participant groups.[10] In eight states in this demonstration, the evaluations use experimental designs, where those eligible for the program were randomly assigned either to the new experimental program or to a control group, which receives no services or only limited WIN Program services. The difference between the outcomes of the two groups -- i.e., the employment and welfare behavior of program experimentals net of the controls' activities -- provides a true estimate of program achievements.

In an unusual display of commitment, the human resource commissioners and their local counterparts in the eight demonstration states actively cooperated in the random assignment of over 35,000 people. While gaining their initial agreement was a lengthy process, no serious problems arose in implementing the random intake process.[11] Because of the large sample and the tightly constructed research budgets, sample members have been followed for 18 to 24 months using program administrative records (AFDC payment records and Unemployment Insurance earnings files) rather than surveys or other more expensive data collection methods.

In most of the states, random assignment was carried out at the time of welfare application or registration with the WIN Program. Impacts can thus capture deterrence occurring between application and welfare approval, but not any taking place prior to the application for welfare.[12]

Question 4. How do program benefits compare to program costs?

The benefit-cost analysis provides bottom-line answers to a number of different questions that reflect the multiple goals of welfare employment initiatives -- in particular, the goals of increasing the independence and well-being of welfare families and of reducing the costs of transfer programs. Thus, the first question addresses program effects on the financial situation of the targeted welfare recipients. Did they come out ahead or behind when their changes in earnings were compared, primarily, to the changes in taxes they paid and the transfer payments they lost? A second question centers on the program's effects on the rest of society (often called the "taxpayers"). On balance, did the taxpayers gain from or have to pay more for the new initiative? Together, these two perspectives describe the distributional impacts of the program, or the overall question: Who are the winners and losers, or can both groups come out ahead?

The analysis then looks at society as a whole (i.e., the welfare population and everyone else). By comparing the program's outcomes to the resources used to produce them, the study estimates whether the program overall was an economically efficient use of resources.

Given the current concern about the costs of welfare and other transfer payments, as well as the effectiveness of the WIN Program (a major source of operating funds for most of the demonstration states), the analysis of taxpayer and government budget impacts is of obvious importance. This is true of any employment initiative, but particularly so for a mandatory program, where there may very well be additional initial administrative costs to enforcing participation and added operating costs for providing expanded services or activities. A key question is whether, in the longer run, these costs will be offset by savings.

While the benefit-cost study takes a comprehensive view of these costs and benefits (including the value of the work produced at the CWEP job sites, the estimated savings from Medicaid and other transfer programs, as well as projected future benefits), it does not include other unmeasurable effects. For example, there is no valuation of possible displacement, of the clear preference society and welfare recipients attach to work over welfare, or of the potential social benefits or costs of welfare mothers spending more time working and less time with their children. Nor are any changes in work behavior, earnings and transfer payments for other members of the welfare recipients' households estimated in this study.

III. Interim Findings

The demonstration is structured as a series of three-year state studies, with random assignment starting in the earliest state in August 1982 and ending in the last in March 1986. (See Table 1.) To date, MDRC has produced interim reports focusing primarily on the feasibility of implementing a participation requirement and the nature of the mandatory work experience in five of the six states providing this component.[13] Final reports examining impact and benefit-cost questions have been completed only for San Diego, Baltimore, and Arkansas.[14]

Thus, while extensive information is now available on each program's implementation, it is still too early to speak with certainty about the relative impact and cost-effectiveness of the different state approaches. The results to date, however, already challenge some of the claims made by proponents as well as critics of workfare, and they also identify issues of importance in determining policy lessons.

A. The Feasibility of Imposing Obligations

As noted earlier in the discussion of program models, not all eight states in the demonstration sought to impose a universal work requirement. Some (San Diego, Chicago, and the West Virginia program for AFDC-U's) did stress the obligation to perform work as a condition of welfare receipt, but others required participation in some activity without implementing a broad-based mandatory work obligation. Only a few states -- West Virginia in its CWEP design, and Maryland and Illinois in their planned multi-component programs -- sought to impose the participation requirement for as long as a person received welfare.

What do the results to date suggest about the feasibility of implementing a participation obligation and the factors that affect operational success? While the question seems simple, the answer is complex. First, because welfare administrators had several objectives for their new programs, it is difficult to define an appropriate measure of success. Second, the natural turnover in the welfare caseload complicates any measure applied. Finally, extensive research has confirmed the difficulty of developing objective criteria to determine "employability," partly because health, child care, transportation or other family problems, often of short-term duration, can impede participation.

One indicator of operational success is the "participation rate," defined in the MDRC demonstration as the proportion of eligible people who ever showed up at program activities within a specified period of time.[15] There are a number of reasons, however, why this measure may understate operational achievements. First, as noted earlier, there is the normal turnover in the welfare caseload; if people are no longer on welfare, they cannot participate in program activities. Second, the states imposed a work or participation obligation not with the purpose of maximizing participation *per se*, but to help or motivate welfare recipients to obtain jobs and to reduce dependence on public assistance.

Thus, while participation in program activities is one way to achieve these goals, nonparticipation itself is not synonymous with program failure. Success can also come because a requirement raises the "cost" of welfare for nonparticipants to the point that some people are more likely to look for and accept jobs or go off the rolls for other reasons (i.e., deterrence). In addition, some people may be sanctioned (i.e., have their grants reduced for noncompliance). Other nonparticipation will reflect legitimate deferral of individuals who have short-term problems that keep them from joining program activities (e.g., child-care responsibilities, lack of transportation, or temporary health problems). Thus, all nonparticipants have not simply "slipped through the cracks" and become lost in the administration of a large program.

But, in contrast, participation rates, defined this way, may overstate operational achievements since they count only persons who showed up for an activity, not whether they completed or fully satisfied program requirements (e.g., by showing up at a CWEP worksite every day for three months).

Despite these caveats and the lack of final data, the interim results suggest some tentative conclusions about the limits of participation in the new initiatives.

In most states, participation rates are higher than those found in prior special demonstrations or the WIN Program. Typically, within six to nine months of registering with the program, about half of the AFDC experimentals had participated in some activity, the great majority in job search when it was offered. Participation rates in mandatory work experience were lower when that component followed job search in a sequenced program and/or where the emphasis was on participation in some activity rather than work _per se_ -- that is, where work assignments depended on staff discretion.

Nevertheless, findings from the workfare program for AFDC-U (primarily male) recipients in West Virginia and the combined job search-CWEP program for both AFDC and AFDC-U applicants in San Diego suggest that, at least in these two environments and for these segments of the caseload, it was possible to implement a broad-based work obligation. In the West Virginia counties that were specially funded to serve the highest proportion possible of the AFDC-U caseload, between 60 to 70 percent of the caseload were working in CWEP jobs; a detailed review of the files showed that most nonparticipants had legitimate reasons for being excused. In San Diego, within nine months of welfare application, all but a small proportion (9 percent of the AFDC and 6 percent of the AFDC-U applicants) had either left welfare, become employed, were no longer in the program, or had fulfilled all of the program requirements.[16]

While these results represent a major change from the pre-1981 record, other states in the demonstration appeared to experience more difficulty in achieving universal participation for the targeted groups. For example, after nine months in Arkansas and 12 months in Maryland, about one-quarter of the eligible persons were still registered in the program but had not yet participated in any of the mandated activities.[17] Moreover, as previously noted, none of the states had tried to impose a participation requirement on the entire AFDC caseload. San Diego limited its program to welfare applicants (not the more difficult-to-employ recipients) and West Virginia ran a distinctly less mandatory program for the larger, primarily female, AFDC caseload.

A number of factors caused overall differences in participation rates and the use of components across states, among them: prior staff experience, the capacity of the administering agency, staff attitudes, program philosophy, demographic characteristics of the welfare population, and local conditions and resources.[16] For example, the program staffs in San Diego, West Virginia, and Baltimore had had substantial prior experience with employment and/or work programs. In some other states, social service staffs had only recently assumed responsibility for the employment functions of the WIN Program, and a learning period often impeded implementation.

There was also wide variation in program goals and staff attitudes. In many ways, the programs pushed at the limits of the social service system -- which was run by people geared to the provision of services, not the enforcement of participation -- and the willingness of staff to operate mandatory programs and impose sanctions. In some of the states (e.g., Maryland), maximizing participation was a relatively less important theme compared to the more general goal of increasing welfare recipients' self-sufficiency. Yet the demonstration took place at a time when the attitudes of many social workers -- like those of the rest of society -- were changing, especially about the appropriateness of women working and the role of the welfare system. As a result, in many of the states, staff expressed support for mandatory requirements as one way to encourage welfare recipients to move into useful activities, although, in most cases, the programs were not highly coercive and sanctions were limited.[19]

The assignment rates across states were in turn affected by staff attitudes about the value of mandatory unpaid work experience. In some locations, staff assumed that any reasonable work assignments had value for all recipients. In others, staff assigned only people considered likely to benefit from the work experience who would also not alienate employers: e.g., those who lacked substantial prior work experience but did not appear to have any severe behavioral problems.

In addition, because of differences in the target groups, welfare grant levels and other factors, the demographics of the welfare population varied widely across the states: for example, from a relatively employable group in San Diego to a more disadvantaged one in Baltimore. (See Table 2.) Also, in some locations, welfare recipients faced different job markets, some relatively strong (e.g., San Diego), others with fewer job prospects (rural Arkansas and West Virginia). While staff generally did not have difficulty finding adequate program openings and CWEP positions, they did seem to reach a worksite limit in some of the more rural areas of West Virginia.

Thus, while MDRC's findings point to the feasibility, in some circumstances, of running mandatory programs for a substantial subset of the AFDC caseload, questions remain about the potential of replicating them in other states or on a larger scale. There is also uncertainty about the feasibility of an open-ended participation obligation imposed on the entire caseload, as proposed in the Reagan Administration's 1985 "Work

TABLE 2

SELECTED CHARACTERISTICS OF AFDC AND AFDC-U SAMPLE MEMBERS AT THE TIME OF RANDOM ASSIGNMENT, BY STATE

	Arkansas	San Diego, California		Chicago, Illinois	Maine	Baltimore, Maryland		Virginia	West Virginia	
Characteristic	AFDC	AFDC	AFDC-U	AFDC	AFDC	AFDC	AFDC-U	AFDC	AFDC	AFDC-U
Welfare Status (%)										
Applicant	60.0	100.0	100.0	0.0	0.0	40.8	88.0	30.3	0	0
Recipient	40.0	0.0	0.0	100.0	100.0	59.2	12.0	69.7	100.0	100.0
Percent Female	97.0	94.4	7.0	97.0	100.0	98.0	12.2	100.0	98.5	7.0
Ethnicity (%)										
White, Non-Hispanic	13.4	58.9	53.1	13.0	98.3	29.5	64.0	32.0	88.5	95.4
Black, Non-Hispanic	86.3	26.5	8.7	71.4	1.7	69.2	32.0	68.0	11.1	4.1
Hispanic	0.0	10.2	33.2	14.4	0.0	0.3	0.0	0.0	N/A	N/A
Other	0.1	4.4	5.0	1.2	0.0	1.0	1.7	0.0	0.4	0.4
Degree Received (%)										
None	50.4	39.0	39.0	55.4	26.3	56.4	61.[illegible]	68.0	54.5	N/A
General Equivalency Diploma	15.5	7.5	9.5	8.7	22.2	8.0	7.7	0.0	13.7	N/A
High School Diploma	34.1	53.5	51.5	36.0	51.5	36.0	31.0	32.5	31.8	N/A
Marital Status (%)										
Never Married	48.9	16.0	8.3	47.4	29.8	40.6	3.8	36.0	15.0	1.7
Married, Living with Spouse	2.7	13.0	89.7	6.4	0.0	0.0	94.2	0.0	12.7	97.1
Married, Not Living with Spouse	25.1	34.1	1.0	23.7	13.5	33.5	2.0	38.0	22.4	> 1.2
Divorced or Widowed	23.3	36.9	1.0	22.5	56.7	17.2	0.0	26.3	49.9	
Average Number of Children Under 18 Years	2.0	1.7	2.1	1.9	1.7	1.8	2.16	1.8	2.0	2.2
Prior AFDC Dependency (%)										
Never on AFDC	30.8	33.7	59.0	12.1	0.6	13.8	55.0	0.0	0.0	N/A
Two Years or Less	32.7	38.9	36.0	35.5	39.5	31.5	45.0	19.6	30.6	N/A
More Than Two Years	36.5	27.4	5.0	52.5	59.9	54.7	0.0	80.4	69.3	N/A
Average Months on AFDC During Prior Two Years	11.0	8.1	2.3	13.5	18.1	13.7	3.2	15.7	16.0	N/A
Held a Job at Any Time During Prior Two Years (%)[a]	22.5	61.3	71.4	27.0	42.2	44.3	88.3	44.0	26.6	N/A
Average Months Employed During Prior Two Years	5.2	10.1	15.7	3.1	3.1	5.5	11.3	4.0	2.0	N/A

NOTES: In Arkansas, San Diego, Chicago, and Baltimore, the sample includes experimentals and controls, in the other states the sample includes only experimentals.

N/A indicates data not available.

Distributions may not add exactly to 100.0 percent because of rounding.

[a] For Arkansas, San Diego, Baltimore, and Virginia, this covers one year prior to random assignment.

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Opportunities and Welfare" legislation. Among the unknowns are the required levels of staff and funding, the feasibility of developing adequate program slots, and the extent of displacement.[20] In addition, most of the eight state programs relied on the existing but modest WIN funds to pay for program administration. This is particularly important since it is clear from the demonstration that it will cost more to run larger programs. For example, West Virginia needed substantial special demonstration funds to provide workfare positions for all of the eligible AFDC-U population in nine counties. In the rest of the state, without special resources, participation rates were about 20 percent below those in the saturation counties.

B. The Nature of Workfare Jobs and the Reactions of Welfare Recipients

Since most previous workfare or similar programs did not operate at the intended scale, they did not seriously test the feasibility of creating productive work experience jobs for a large segment of the AFDC caseload.[21] Studies showed inconsistent job quality. Sometimes the work experience was shaped to help recipients move off the rolls; in other cases, the emphasis was on the requirement to work in exchange for benefits.[22]

The six states in the demonstration that use some form of mandatory work experience have different goals and objectives. Two locations (San Diego and Illinois) stress workfare's potential importance in reducing the welfare rolls, as well as the positive opportunity it provides to recipients. Elsewhere (Baltimore, Arkansas, Virginia), more emphasis is placed on the value of work experience (and less on extracting a _quid pro quo_ for the welfare grant). Five areas operate a short-term work component. Only in West Virginia, where throughout the demonstration the unemployment rate often was the nation's highest, did administrators see workfare as a long-term employment program in an environment offering little opportunity for job placement.

Findings from MDRC's worksite survey analyzed to date in five states provide a complex picture of how these programs look in practice.

- The jobs were generally entry-level positions in maintenance or clerical fields, park and human services. Sometimes they were slots which had been paid positions under the Public Service Employment program which Congress eliminated in 1981. On the whole, they did not provide substantial skills development because most of the participants had adequate working skills at the time they began the work assignment.
- While the work experience positions did not for the most part develop skills, they were not "make-work." Supervisors judged the work important and indicated that participants' productivity and attendance were similar to those of most entry-level workers.
- A large proportion of the participants interviewed responded positively to the work assignments. They were satisfied with the positions, felt good about coming to work, believed that they were making a useful contribution, and felt that they were treated as part of the regular workforce.
- Many participants, however, believed that the employer got the better end of the bargain, or that they were underpaid for their work. In brief, they would have preferred a paid job.[23]

These findings suggest that most states did not design or implement CWEP with a punitive intent. Possibly because of this, the worksite survey indicated that the majority of participants in most of the states shared the view that a work requirement was fair. In addition, a special survey of all applicants in San Diego found that about four-fifths of those aware of the job search requirement pronounced it fair and that most participants liked those activities. For CWEP, satisfaction was somewhat lower but still positive. Overall, from 60 to 70 percent of the applicants who knew of the work requirement considered it fair.[24]

These results are consistent with the findings of prior studies that show that the poor want to work and are eager to take advantage of opportunities to do so. As one of MDRC's field researchers observed: These workfare programs did not create the work ethic, they found it.

While this evidence is striking, it should not be used to draw conclusions about the quality of programs -- or the reactions of welfare recipients -- if workfare-type requirements are implemented on a larger scale, are differently designed, or are of longer duration.

C. The Impacts on Employment and Welfare

Recently completed studies of program effects in San Diego, Baltimore and two counties in Arkansas tell a complex story centering on consistent, although relatively modest, employment gains, but differences in welfare outcomes. In interpreting the results, one should remember that the impacts, or program effects, are expressed as averages for a large segment of the caseload: e.g., all WIN-mandatory applicants, both program participants and nonparticipants. Thus, even relatively small changes -- multiplied by a large number of people -- may have considerable policy significance.

In San Diego, the program of mandatory job search followed by short-term CWEP increased quarterly employment rates by between 3 and 8 percentage points. Average total earnings over 15 months went up by $700 per experimental, representing a 23 percent increase over the control group's average earnings. (See Table 3.) Roughly half of the earnings gains came about because more women worked and half because they obtained longer-lasting jobs or jobs with better pay or longer hours. The

TABLE 8

SUMMARY OF IMPACTS ON AFDC APPLICANTS, FOR JOB SEARCH-CWEP IN SAN DIEGO

Outcome and Follow-Up Quarters	Experimental	Control	Difference
Percent Ever Employed During Quarters 2-6[a]	61.0	55.4	+ 5.6***
Percent Ever Employed During			
Quarter of Random Assignment[a]	35.9	33.1	+ 2.8
Quarter 2	35.9	29.7	+ 6.2***
Quarter 3	40.2	33.2	+ 7.0***
Quarter 4	42.4	36.9	+ 5.5***
Quarter 5	42.9	37.5	+ 5.4***
Quarter 6	41.9	38.1	+ 3.8*
Average Total Earnings ($) During Quarters 2-6[a]	3801.75	3101.63	+ 700.12***
Average Total Earnings ($) During			
Quarter of Random Assignment[a]	358.46	335.96	+ 22.50
Quarter 2	809.51	668.97	+ 140.54***
Quarter 3	799.05	636.40	+ 162.65***
Quarter 4	809.58	692.52	+ 117.06**
Quarter 5	848.33	729.11	+ 119.23**
Quarter 6	933.39	772.75	+ 160.64***
Percent Who Ever Received Any AFDC Payments During Quarters 1-6[b]	83.9	84.3	-0.4
Percent Who Ever Received Any AFDC Payments During			
Quarter of Random Assignment[b]	78.3	80.3	-2.0
Quarter 2	64.2	67.6	-3.4*
Quarter 3	51.6	56.2	-4.6**
Quarter 4	45.8	47.8	-2.0
Quarter 5	39.3	41.1	-1.7
Quarter 6	35.0	36.2	-1.2
Average Total AFDC Payments ($) Received During Quarters 1-6[b]	3408.32	3695.84	-287.52**
Average Total AFDC Payments Received During			
Quarter of Random Assignment[b]	733.60	752.03	- 18.43
Quarter 2	695.38	765.07	- 69.69***
Quarter 3	581.64	653.54	- 71.90***
Quarter 4	512.91	578.50	- 65.59**
Quarter 5	462.06	501.20	- 39.14
Quarter 6	422.91	445.29	- 22.38

SOURCE: Goldman et al., 1986 (forthcoming), Table 3.2.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare payments. The estimates are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. There may be some discrepancies in calculating sums and differences due to rounding.

*Denotes statistical significance at the 10 percent level; ** at the 5 percent level; and *** at the 1 percent level.

[a] For Unemployment Insurance earnings, random assignment may occur in any of the three months of the calendar quarter of random assignment. For this reason, quarter 1, the quarter of random assignment, may contain some earnings from a month or two before random assignment, and it is therefore not counted as a complete follow-up quarter for employment and earnings impacts.

[b] The first month of the quarter of random assignment is the month in which an individual is randomly assigned.

employment gain persisted, although at a somewhat reduced level, throughout the almost one and one-half years of follow-up. (See Figure 1.)

There were relatively modest changes in welfare dependency and benefit payments, with no evidence that, once people had applied for welfare, they were deterred from that process by the work obligation. Over the full follow-up period, average welfare payments to experimentals were $288 below those paid to controls, a reduction in welfare outlays of almost 8 percent. (See Table 3 and Figure 1.)

The San Diego program, however, produced quite different impacts for the primarily male group receiving AFDC-U assistance. For them, the program led to minimal or no sustained employment effects, but more substantial welfare savings.

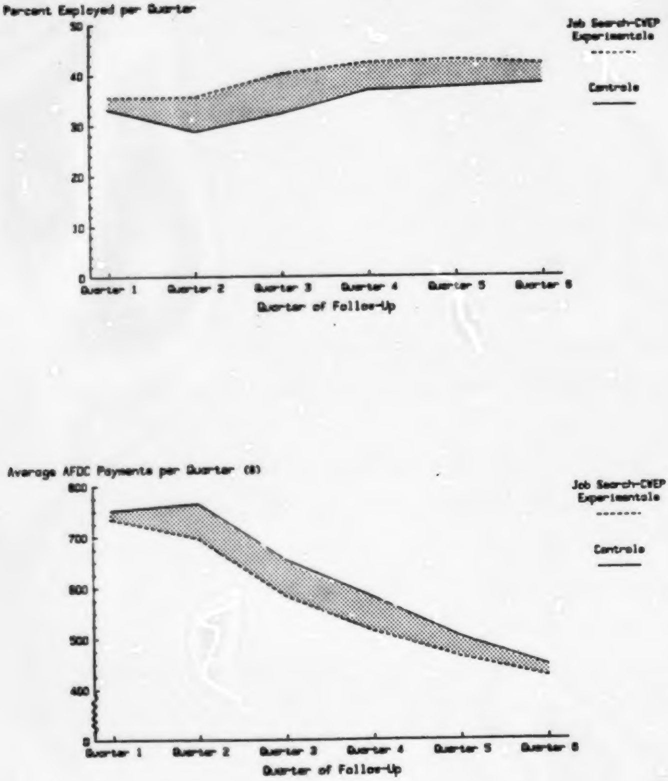
One unusual feature of the San Diego study was the implementation of a parallel experiment to estimate the impacts of job search alone -- i.e., a treatment not followed by short-term CWEP. While the results for that program for the AFDC group were also positive -- higher employment and lower welfare costs -- the findings were less consistent and the gains in earnings smaller. Most notably, the estimated impacts varied substantially for people applying to welfare during different time periods.

A comparison of the results for job search alone with those from the two-stage sequence incorporating CWEP suggests that, under certain circumstances, a program's impacts on employment and earnings will be greater if individuals who do not find employment in job search workshops are required to meet a short-term work obligation.

The Arkansas program for AFDC applicants and recipients consisted of mandatory job search followed in some cases by short-term, unpaid work

FIGURE 1

TRENDS IN EMPLOYMENT RATES AND AVERAGE AFDC PAYMENTS FOR JOB SEARCH-CWEP, AFDC APPLICANTS IN SAN DIEGO



experience. It led to modest but statistically significant employment gains of between 3 to 5 percentage points per quarter, for an employment increase of one-third over the controls. This growth took place against a background of very limited employment among the welfare population generally (as shown by the control group in Table 4). In addition, the program had relatively large impacts on the welfare rolls and benefits. By the third quarter of follow-up, 64 percent of the control group members were receiving welfare compared to 57 percent of experimentals. During the same three-month period, average benefit payments fell from $289 to $246, for a difference of $43 -- a 15 percent reduction from the level of controls. Overall, more than three-quarters of this welfare reduction occurred because people left the welfare rolls -- in contrast to a higher-grant state (California), where average grants declined but relatively fewer cases were closed.

In Baltimore -- which also targeted both welfare applicants and recipients -- the program caused a similar quarterly employment increase of from 3 to 5 percentage points, resulting in a 12-month earnings gain of $176. In contrast to Arkansas but like San Diego, this increase took place against a background of substantial and growing control group employment. But unlike both Arkansas and San Diego, the employment improvement was not accompanied by notable welfare reductions.[25] (See Table 5.) And, because the earnings increases were not offset by a lower welfare check, the Baltimore program caused some growth in average total income.

Findings for both San Diego and Arkansas suggest that program impacts are concentrated in the harder-to-employ subgroups of the welfare population. These groups fare less well on their own, and benefit most from

TABLE 4

SUMMARY OF IMPACTS ON AFDC APPLICANTS AND RECIPIENTS IN TWO COUNTIES IN ARKANSAS

Outcome and Follow-Up Period	Experimentals	Controls	Difference
Percent Ever Employed During Quarters 2-3[a]	18.8	14.0	+ 4.8**
Percent Ever Employed During			
Quarter of Random Assignment[a]	16.1	11.8	+ 4.3**
Quarter 2	14.6	9.6	+ 5.0***
Quarter 3	15.2	12.2	+ 3.1*
Average Total Earnings ($) During Quarters 2-3[a]	290.63	212.94	+77.70*
Average Total Earnings ($) During			
Quarter of Random Assignment[a]	98.79	83.33	+15.46
Quarter 2	140.77	86.38	+54.39**
Quarter 3	149.86	126.55	+23.31
Percent Who Ever Received Any AFDC Payment During Quarters 1-3[b]	72.8	75.9	- 3.1
Percent Who Ever Received Any AFDC Payments During			
Quarter of Random Assignment[b]	66.6	69.0	- 2.4
Quarter 2	65.6	71.4	- 5.8**
Quarter 3	56.8	63.6	- 6.8***
Average Total AFDC Payments ($) Received During Quarters 1-3[b]	771.69	864.55	-92.86***
Average AFDC Payments ($) Received During			
Quarter of Random Assignment[b]	249.66	258.31	- 8.65
Quarter 2	275.57	316.79	-41.22***
Quarter 3	246.46	289.44	-42.98***

SOURCE: Friedlander et al., 1985b, Table 5.1.

NOTES: See Table 3.

TABLE 8

SUMMARY OF IMPACTS ON AFDC APPLICANTS AND RECIPIENTS IN BALTIMORE

Outcome and Follow-Up Period	Experimentals	Controls	Difference
Percent Ever Employed During Quarters 2-5[a]	51.2	44.2	+ 7.0***
Percent Ever Employed During			
Quarter of Random Assignment[a]	28.1	26.4	+ 1.8
Quarter 2	27.2	24.0	+ 3.2**
Quarter 3	32.4	27.9	+ 4.5***
Quarter 4	34.7	31.6	+ 3.1*
Quarter 5	36.6	31.6	+ 5.0***
Average Total Earnings [$] During Quarters 2-5[a]	1935.15	1758.74	+176.41
Average Total Earnings [$] During			
Quarter of Random Assignment[a]	261.98	255.89	+ 6.09
Quarter 2	318.55	332.99	-14.44
Quarter 3	467.80	408.24	+59.56*
Quarter 4	570.65	504.58	+66.07
Quarter 5	578.15	512.92	+65.23
Percent Who Ever Received Any AFDC Payment During Quarters 1-5[b]	94.9	95.1	- 0.2
Percent Who Ever Received Any AFDC Payments During			
Quarter of Random Assignment[b]	91.7	92.1	- 0.4
Quarter 2	87.3	87.5	- 0.2
Quarter 3	77.4	78.2	- 0.8
Quarter 4	71.7	73.2	- 1.5
Quarter 5	68.7	70.4	- 1.7
Average Total AFDC Payments [$] Received During Quarters 1-5[b]	3058.03	3064.12	- 6.09
Average AFDC Payments [$] Received During			
Quarter of Random Assignment[b]	679.45	672.22	+ 7.23
Quarter 2	678.55	671.53	+ 7.02
Quarter 3	593.68	593.42	+ 0.26
Quarter 4	563.67	569.22	- 5.55
Quarter 5	542.68	557.73	-15.05

SOURCE: Friedlander et al., 1985a, Table 5.1.

NOTES: See Table 3.

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program services, a finding from other studies as well. In San Diego, impacts were largest for individuals with limited prior recent employment. In Arkansas, most of the program's impact came from gains registered by the welfare recipients, not applicants, despite the applicants' stronger record of prior employment. The Arkansas study also showed that the program was just as effective for mothers with pre-school children as for those whose children were older.[26] In Maryland, the story is more complex, with somewhat larger impacts for applicants than recipients but, within each group, greater gains in general for those with less prior employment.

Overall, data from the three impact studies provide no clear pattern of impact stability -- that is, it is not clear if impacts were sustained or deteriorated over time -- although the Baltimore program will be subject to further examination. In addition, other reports from the demonstration will examine in more detail the complex relationship between earnings, welfare benefit levels, state standards of need, and program impacts.

D. The Amount and Distribution of Program Benefits and Costs

The benefit-cost results for the same three studies suggest both similarities and differences in the findings for AFDC women.[27] From a very broad perspective, society as a whole gained from all three programs. On average, depending on the program model and on assumptions about unmeasured future behavior, benefits exceeded costs for an experimental (compared to a control) by a wide range: from $100 to $2,000 in the three states during a five-year period that included both measured and extrapolated benefits and costs.

There were, however, striking differences across states in the distribution of net benefits (i.e., benefits minus costs) between the AFDC women and the rest of society (known as the "taxpayers"). In the San Diego job search-CWEP sequence, both AFDC women and the taxpayers came out ahead by a substantial margin. For the average AFDC experimental, net benefits were projected to be about $800 for the five years after random assignment; savings for taxpayers were over $1,000 per experimental during the same period. And, while job search alone also resulted in net benefits for both the AFDC women and the taxpayers, the benefits were higher if job search was followed by a short-term CWEP requirement.

In Baltimore and Arkansas, in contrast, gains went primarily to one or the other of these two groups. In Baltimore, the major gainers were the AFDC women, with the taxpayers breaking even or incurring some net cost. In Arkansas, benefits went primarily to the taxpayers and contributed to budget savings; recipients apparently were no better off financially. (This is consistent with the findings on welfare impacts in that state, and further suggests that these programs may have very different budgetary effects in high- and low-grant states.)

When net impacts on government budgets are considered, the results offer several important insights. First, in the short-run, these programs will often cost rather than save money. This reflects the fact that almost all of the costs are incurred upfront when a person is active in the program, but most of the benefits accrue over time, as participation leads to employment and earnings gains which, in turn, lead to increases in the taxes the new workers pay, as well as reductions in their benefits from welfare and related transfer programs.

Second, the San Diego study provided some unusual findings on the distribution of net savings across federal, state and county budgets.

While all three levels of government ultimately came out ahead under the particular funding formulas and matching arrangements in place for the resources used in that program, the federal government bore more than half of the costs but also enjoyed the greatest net savings. Indeed, without federal funds -- or if these were substantially reduced -- the state and the county would have had no financial incentive to run the program. These findings thus highlight the importance of continued federal support if states are to be encouraged to undertake welfare employment initiatives that may ultimately prove cost-effective to operate.

Finally, it should be noted that the gross operating costs per experimental (including both participants and nonparticipants) were generally quite modest, but varied substantially by program; they ranged from a low of $165 in Arkansas to a high of $1,050 in Maryland. In San Diego, where the costs of the CWEP component could be separately estimated, these came to about $100 per AFDC experimental or $640 per person who actively worked in a CWEP job.

IV. Issues and Conclusions

As these interim results suggest, the state programs were complicated in design and outcomes, and thus warrant careful interpretation. Moreover, it is important -- given the differences across states in the characteristics of the welfare population, local economic conditions, participation rates, AFDC benefit levels, and the extent to which the control groups received services -- not to use these early results to reach firm conclusions about the relative effectiveness of different program approaches. However, the interim findings do point to a number of lessons that will be examined further in the coming year.

A. The States' Response to OBRA

The 1981 legislation gave states the opportunity to experiment with new approaches -- including workfare-type programs -- and new institutional arrangements. The states in the demonstration clearly saw this as an opportunity to restructure the WIN Program in ways that would promote work and reduce dependency. The particular responses were diverse, reflecting caution, limited resources, and philosophical differences.

In contrast to what might have happened, the demonstration states did not all adopt mandatory approaches or impose universal workfare. Two of the states undergoing in-depth evaluation (New Jersey and Maine) are experimenting with voluntary grant diversion programs; the others are operating mandatory programs but with different interpretations about exemptions and the use of sanctions.

In all but the two grant diversion states and West Virginia, job search has emerged as the major program activity. While the reason is not always clear, both practical and philosophic considerations seemed to have guided this choice. Job search is non-controversial, relatively low-cost, and comparatively easy to run; administrators see it as a proven approach with developed techniques.

In states using unpaid work experience, all but West Virginia have limited its duration and either sequence it after job search (in Arkansas, Virginia, Illinois, and San Diego) or provide it in a menu of options (in Maryland). When job search precedes work experience, participation in the work component is naturally lower. Among programs serving the AFDC population for which results are available, only in West Virginia, San

Diego, and Baltimore has work experience involved a substantial (10 to 20 percent) share of the eligible group.

B. Lessons on Feasibility, Impact, and Cost-Effectiveness

The results to date suggest the feasibility, under certain conditions and at the scale implemented, of linking welfare receipt to an obligation to participate in designated activities. In a few cases -- San Diego and West Virginia's AFDC-U program -- this includes an obligation to work in exchange for welfare benefits. In other cases, the obligation is usually limited to job search (Arkansas and Virginia) or to participation in any one of an available array of services (Maryland).

The interim results suggest that a number of quite different program approaches will lead to increases in employment, but that the gains will be relatively modest. In some cases, these gains will translate into even smaller welfare savings. Nevertheless, while the impacts may not be striking, they appear large enough to justify the programs' costs if a broad view of the benefits and costs to society is taken. If only the programs' effects on the budgets are considered, the results to date reveal a mixed picture: savings in some states for some target groups, but not in others.

The impact findings also suggest the substantial diversity across the three states in the underlying challenge facing program administrators. Thus, even without special program assistance, over 30 percent of the controls in San Diego and Baltimore found jobs by the end of the follow-up period, compared to only 12 percent in Arkansas. (See Tables 3, 4, and 5.) Many factors -- such as different characteristics of the welfare groups studied, state benefit levels, services to controls, and labor market conditions among them -- influence normal employment growth and, in turn, the potential of a new program to achieve impacts. This wide diversity suggests caution in assuming the results from one state can be easily translated to others.

For the workfare component of state programs, the interim results do not support the strongest claims of either critics or proponents. Despite critics' fears, workfare as implemented in the 1980s is more likely to be designed to provide useful work experience than simply to enforce a *quid pro quo* -- although both objectives may be present. As a result, the work positions quite often resemble quality Public Service Employment jobs, structured to meet public needs and to provide meaningful work experience. Under these conditions -- when the jobs are considered worthwhile and the obligation is limited -- welfare recipients generally do not object to working for their grants. In addition, while resources are needed to administer the component, the future savings appeared sufficient to offset expenditures, at least in the three-month San Diego program for applicants where these could be separately estimated.

On the other hand, the interim findings do not support the more extreme claims of proponents. The work positions provided little skills development and did not lead to better-quality jobs. Furthermore, there was no evidence in San Diego that the work mandate, as it was administered, deterred individuals from completing the process of welfare application or "smoked out" large numbers of AFDC women who held jobs with unreported income.

Thus, the case for and against workfare may involve not so much a tradeoff between welfare savings and coercion as an opportunity to change the values, politics and perceived fairness of the welfare system. Some will argue -- as did the West Virginia human service commissioner -- that even if workfare costs more upfront, its design is a better one for the welfare program because it fits with the nation's values and will thus improve the image of welfare among recipients and the public.[28] Others will argue that what is needed is not requirements but jobs and investments in training and intensive programs, like supported work, that may help people find the kinds of work that confer economic security over the longer term.

C. Lessons on Program Design and Targeting

Since only three of the state studies have been completed, it is too early to compare the relative effectiveness of the different approaches. As noted earlier, each state implemented a distinct two-dimensional treatment, with a certain level of obligation and a specific mix of employment and training activities. The programs' impacts resulted from both aspects of the treatment. When the final results do become available, it will then be appropriate to consider what they suggest about each dimension and the relative impacts of voluntary and mandatory programs and different programmatic approaches. In the meantime, the results do not point to one single, uniform approach that merits national replication, suggesting instead the continued value of state experimentation.

However, a consistent lesson from both this demonstration and earlier research is that program administrators should reach out to provide services for more disadvantaged recipients, as well as for those who are more readily employable. The issue of how best to target scarce resources is a complicated one where the research findings seem to argue for a different direction than do traditional measures of operational performance, such as job placement rates.[29]

Thus, the results from San Diego, Arkansas, and Maryland all suggest that the impacts of these three quite different programs are greater for enrollees who would be considered the most disadvantaged or least employable in terms of a previous work record. For example, the greatest increases in employment and earnings (compared to those of the control groups) were found among women who had the least recent employment experience before program enrollment.

This does not mean that very hard-to-employ groups had the highest placement rates and highest levels of post-program employment. On the contrary, a close look at the data shows that placement rates and post-program employment were generally much higher for job-ready individuals. Nevertheless, net program impacts were largest for the less job-ready recipients.

While this may seem contradictory, it emerges directly from an understanding of the dynamics of the welfare population. Work done by other researchers indicates that, for many persons, welfare is only a temporary source of aid.[30] A program that achieves high placement rates by working with people who would have found jobs on their own or cycled off welfare anyway may look successful but not have accomplished much. In contrast, a program working with those who would have done very poorly on their own may look less successful (measured by placement or employment rates), but in fact it may have produced major changes in behavior.

Figure 2 and Table 6 show this effect, using selected subgroup results for the Baltimore program. (A similar pattern was found in San Diego and Arkansas.) For experimentals, employment rates in the fifth quarter after

TABLE 8

SUMMARY OF FIFTH QUARTER IMPACTS ON AFDC APPLICANTS AND RECIPIENTS
IN BALTIMORE, BY PRIOR-YEAR EMPLOYMENT STATUS

Outcome in Fifth Quarter	Prior Employment[a]	Experimentals	Controls	Difference
Percent Ever Employed	None	23.1	16.8	+ 6.3***
	Some	52.9	50.0	+ 2.9
Average Total Earnings [$]	None	340.78	219.72	+121.05**
	Some	866.00	877.05	-11.04
Percent Receiving AFDC Payments	None	75.5	77.7	- 2.2
	Some	80.5	81.5	- 1.0
Average AFDC Payments [$]	None	318.54	333.25	-14.71
	Some	449.59	464.40	-14.81

SOURCE: Friedlander et al., 1985a.

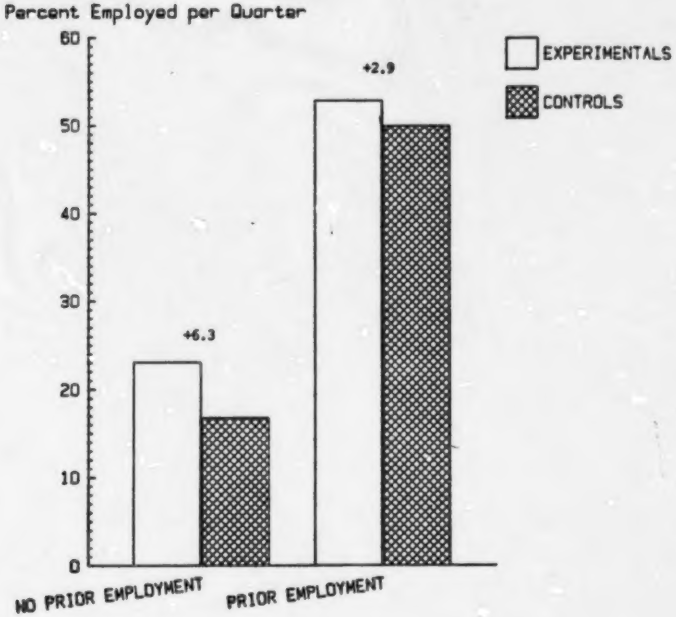
NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare. There may be some discrepancies in calculating sums and differences due to rounding.

Denotes statistical significance at the 5 percent level; and * at the 1 percent level.

[a] 55.2% of the sample had no employment in the year prior to random assignment.

FIGURE 2

EMPLOYMENT IMPACTS IN QUARTER FIVE FOR AFDC STUDY IN BALTIMORE, BY EMPLOYMENT STATUS IN YEAR BEFORE PROGRAM ENTRY



random assignment were more than twice as high for the subgroup with some work in the prior year than for those without employment: 52.9 percent versus 23.1 percent. However, impacts from the program were more than twice as high for those with no prior work than for those with some: 6.3 versus 2.9 percentage points. The control group provides the explanation: without the program, half of the controls with prior work experience found jobs, compared to only 16.8 percent in the other group.[31] Thus, a program operator, using the traditional measures of success -- program placements or employment -- naturally tends to serve the more "advantaged" segments of the welfare population; these impact results suggest the value of taking the opposite approach as well.

It should be noted that these results present the impacts but not the costs of serving the different subgroups. Work underway is continuing to examine the benefits -- net of costs -- of using the different targeting strategies.[32]

D. Open Issues

To assess correctly the lessons and findings emerging from the state studies, it is important to focus on both the questions they can answer as well as the issues they cannot resolve. On the one hand, there is already information on the operational parameters, program impacts, and cost-effectiveness of several treatments operated at a specific scale in certain locations. These data can be used to describe general patterns across states and to ascertain the effects of different program models on particular subgroups of the AFDC population.

On the other hand, certain critical questions remain open. One key uncertainty is the extent to which these findings can be replicated if the programs are implemented in other jurisdictions or on a larger scale; that is, if they are targeted to a greater share of the welfare caseload and/or cover a broader geographic area. Will the impacts change? Will deterrence occur? Will displacement by workfare participants become more of an issue? Will unit costs increase or decline? Will states be able to generate an adequate number of quality work experience positions?

It will be important to consider the final state results carefully in order to determine the extent to which cross-state comparisons can address these and other open issues.

E. Lessons on Assessing Program Effectiveness

Finally, the results to date have confirmed the importance of an evaluation design with randomly selected control groups. The programs' impacts are relatively modest, with subtle differences over time and across subgroups and locations. It is clear that, if participants had been compared to individuals in different areas or to selected nonparticipants rather than to a control group, these effects might have gone undetected or their validity been seriously questioned.

The findings also highlight the extent to which estimates of cost savings derived from operating data -- i.e., the "gross" effects -- can overestimate a program's impact. The findings for the experimental group in San Diego's job search-CWEP program serve as an example. As the table below shows, 78 percent were on welfare when the study began, and only 35 percent remained on the rolls by the sixth quarter of follow-up. In the absence of a control group, one might assume that the program led to a 43 percentage point reduction in the rolls, multiply that by the average grant, and claim very large welfare savings. In fact, by the end of the sixth quarter, data from the control group indicate that most of the departures from welfare would have occurred anyway; the net program impact was only about 1 percentage point.

PERCENT RECEIVING AFDC PAYMENTS:
SAN DIEGO JOB SEARCH-CWEP EXPERIMENT

	Experimentals	Controls	Difference
Quarter of random assignment	78.3	80.3	-2.0
Sixth follow-up quarter	35.0	36.2	-1.2

SOURCE: Table 3.

Estimates based on job placement or employment rates of program participants can be equally misleading. For example, row 1 of Table 3 shows that over 60 percent of the experimentals in San Diego's job search-CWEP program were employed over the follow-up period. If one assumes that all of this employment was caused by the program -- and multiplies the number of placements or employed individuals by the average reduction in grant payments that takes place after employment -- the result is extemely large welfare savings. Instead, Table 3 reveals that over 55 percent of the controls worked during the same period _without_ participating in the job search-CWEP program. The real gain for experimentals is still notable -- around 6 percentage points -- but is much more modest. Unfortunately, most program administrators only have data on program participants and not on a control group. Thus, while it will be tempting for them to look at operational data and assume that all changes are program achievements, the data from this demonstration suggest how misleading this can be.

For those used to grandiose claims, this will be discouraging. But the real lesson is quite different. The careful impact and benefit-cost studies reported here show that work approaches for welfare recipients can increase employment and be cost-effective. However, the gains are not likely to be dramatic and the savings are going to be limited. Nevertheless, these savings may often be sufficient to justify costs, and the research has shown that it may also be possible to target resources more carefully and thereby further increase program effectiveness.

In short, programs do not necessarily have to effect dramatic changes to be worthwhile. In fact, small impacts can be significant if they are long-lasting or if they occur for a large number of people. Thus, the research points to an important finding about expectations. In the past, we have had to oversell social programs to convince policymakers that they were worthwhile investments. The data from these state programs suggest that this is not necessary.

FOOTNOTES

1. In writing this monograph, the author has drawn on the work of a number of colleagues at MDRC -- in particular, Joseph Ball, Daniel Friedlander, Barbara Goldman, David Long, and Janet Quint. Useful comments on an earlier draft were received both from these individuals and from Barbara Blum, Michael Bangser, Robert Ivry, and David Ellwood. Patricia Auspos and David Palasits assisted the author in preparing this earlier version.

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2. See, for example, Bane and Ellwood, 1983.

3. Prior to 1981, mandatory work programs for AFDC recipients could be operated only under special demonstration authority and required federally-granted waivers. For more on the significance of this change, see Manpower Demonstration Research Corporation, 1983. While "workfare" has become a general term referring to programs requiring welfare recipients to work in exchange for their grants, CWEP places limits on the work. For example, the number of hours a participant works is calculated by dividing the welfare grant by the minimum wage.

4. For a summary of the findings on earlier workfare-type programs and a more detailed review of the evolution of the welfare reform debate, see Gueron and Nathan, 1985.

5. Of the 11 states, all but California opted to run the new program under WIN Demonstration authority. California itself became a WIN Demonstration state on January 1, 1985. In addition to the eight states listed in Table 1, the process study includes Arizona, Florida, and Texas.

6. In total, five of the states require participation in some form of job search and six have a mandatory unpaid work experience component. Of those, four use the CWEP formula (where work hours are determined by dividing the AFDC grant by the minimum wage) and two operate WIN work experience (where the number of hours is unrelated to the grant level).

7. MDRC's research identifies these subgroups by their welfare

status when they entered the research sample. Thus, applicants who eventually become recipients continue to be designated as applicants. Newly mandatory recipients are those who were already receiving AFDC, but because of some change (primarily because the youngest child turned six), were required to register with the WIN Program.

8. See Aaron, 1984. In that paper, the author argues, "It is unimaginable that a large bureaucracy would be capable of sifting millions of individual cases, each fraught with special problems, needs, and ambiguity, all requiring judgment if not wisdom. To inspire hard work is a laudable goal, but one not likely to be achieved through a work requirement without more authoritarian administration than most Americans are likely to accept." (Aaron, 1984, p. 17. Quoted from Aaron, 1972, pp. 49-50.)

9. Bane and Ellwood, 1983.

10. Exceptions where random assignment was used include the earlier evaluations of Supported Work and of two job search experiments. See Manpower Demonstration Research Corporation, 1980; Goldman, 1981; and Wolfhagen, 1983.

11. See Gueron, 1985a for a description of the process MDRC followed in explaining and implementing random assignment.

12. However, given the scale at which the mandatory work experience programs operated in the demonstration states, it is unlikely that people would have been deterred from applying for welfare because of a reluctance to perform work.

13. Interim results, including those of the worksite survey, are not yet available from the Illinois program except for baseline data on the research sample. This is also the case in New Jersey. A seventh interim study focusing on Maine's voluntary grant diversion program has, however, been released. Those findings and early evidence from other grant diversion projects suggest that such programs encounter considerable difficulty in interesting private sector employers and are unlikely to be operated on a large scale. Interim reports released by the Manpower Demonstration Research Corporation include: Auspos, 1985; Ball, 1984; Bangser et al., 1985; Goldman et al., 1984; Goldman et al., 1985; Price, 1985; Quint, 1984a; Quint, 1984b; and Sherwood, 1984.

14. Friedlander et al., 1985a; Friedlander et al., 1985b; Goldman et al., 1985 and Goldman et al., 1986.

15. This measure is not identical to the participation goal set in the Reagan Administration's "Work Opportunities and Welfare"

proposal, which would require ongoing participation from 75 percent of the eligible caseload in each state.

16. Ball, 1984; and Goldman et al., 1985.

17. In Maryland, some of these nonparticipants were enrolled in other long-term training or education programs.

18. Contrary to the expectations of many critics of mandatory programs, who doubted that funding would be sufficient to meet the child-care needs of program eligibles, this did not appear to be a problem in the demonstration states, even in those that enrolled mothers with pre-school children. In fact, programs often did not spend all available day-care monies. However, MDRC's research does not address issues concerning the kind and quality of the child-care arrangements.

19. Sanctioning rates were notably low in Arkansas, Maryland, and Virginia. In contrast, in San Diego, 6 to 7 percent of AFDC experimentals were deregistered with a sanction within six months of application, a rate significantly higher than the less than 1 percent rate for controls. See Goldman et al., 1985.

20. MDRC does not measure displacement in the benefit-cost analyses. However, data from the worksite survey in San Diego suggest that, at the level CWEP was operated there, very little short-term displacement had occurred. Goldman et al., 1985, p. 199.

21. More relevant data can be found in the record of Public Service Employment in CETA. See Mirengoff et al., 1980. For a discussion of the development and quality of worksites in a guaranteed jobs program for economically disadvantaged youths, see Diaz et al., 1982.

22. Gueron and Nathan, 1985.

23. See Ball, 1984; Friedlander et al., 1985a; Friedlander et al., 1985b; Goldman et al., 1984; Goldman et al., 1985; Price, 1985; Quint, 1984a.

24. See Chapter 4, Goldman et al., 1985.

25. A number of other recent studies of AFDC work programs have found similar gains in employment with smaller or no welfare savings. Part of the explanation probably lies in the benefit calculation rules, which allow deductions from gross earnings of work-related expenses, such as documented child care, and the $30 plus 1/3 disregard applied to the balance for four months.

26. Arkansas, with a federal waiver, required mothers whose youngest child was between three and five to participate in the WIN Program.

27. However, both the San Diego and Baltimore studies indicate that the cost-effectivenes and distributional impacts of these initiatives may be very different for the AFDC-U group studied. For example, the San Diego results show substantial taxpayer and budget savings for the job search-CWEP program for this group, but major losses to the applicants themselves. See Goldman et al., 1986.

28. See the discussion of Leon Ginsburg's views in _National Association of Social Workers' News_, 1983.

29. For further discussion of this, see Gueron, 1985b.

30. See Bane and Ellwood, 1983.

31. Thus, the easier-to-employ experimental subgroups do better than the hard-to-employ, but the easier-to-employ controls do much better than their hard-to-employ control counterparts. As a result, the _net_ effect is greater for the harder-to-employ.

32. Benefit-cost results to date from San Diego support these subgroup findings: Overall, the program for the harder-to-employ group appears to be more cost effective. See Goldman et al., 1986.

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Chairman Ford. Thank you very much.

Mr. Matsui.

Mr. Matsui. Thank you, Mr. Chairman.

Obviously, you think the WIN Demonstration Program makes some sense. It gives you flexibility and you have Federal resources. What about the President's program? Have you had a chance to analyze it and what do you think of it? I detect the lack of apparent flexibility with a 75-percent participation rate.

Could you comment on that?

Ms. Gueron. OK I think there are several different issues here. One on the programmatic flexibility. I think you heard from some of the commissioners earlier that there may be some problems there in covering education and training services. That is one of the issues, I think, that is of concern.

My greater concerns are with the funding and participation rates. I think there is no evidence from the States that we have studied so far that the target of an eventual 75 percent of the caseload involved in an ongoing way in employment and training initiative can be reached. That is a very ambitious target.

Even for men in West Virginia, when they had unlimited funding to involve men in the Community Work Experience Program, the maximum rates hit were about 70 percent. So I think that rate is very ambitious.

And in addition, without further funding, there is the risk that everybody, in order to meet a participation target and avoid sanctions, would turn this program into one that has less substance and more focus on getting people through the paper. And I think what we are finding from these initiatives is that substantive activities can make a difference.

I also think that 50-50 funding may be a mistake. The data we have suggests that the Federal Government gets more than 50 percent of the benefits. They get all the benefits from food stamp savings, they get most of the benefits from taxes paid when people go to work. And they get 50 percent or more of the AFDC and Medicaid savings.

All of that adds up to more than 50 percent. So I would not assume that the money would be forthcoming from State and local governments to match the $200 million if it were put forth at a 50-50 basis.

Mr. Matsui. Thank you. In the San Diego program which you referred to, the participation rate was about 50 percent, was it not?

Ms. Gueron. Right.

Mr. Matsui. So they would not have qualified then under the President's proposal.

Ms. Gueron. Well, it is very tricky, because we did not look at the participation in the same way. This was people who had ever participated. They did not have an ongoing participation requirement. They had job search followed by short term workfare.

The administration's proposal is more ambitious. It says, as long as you are on welfare, you will be participating in some employment and training component. So to some extent those numbers are not comparable.

Ms. **Blum**. In addition, participants are applicants in San Diego, not recipients. I think it might be more difficult to have that same level of program participation with recipients.

Mr. **Matsui**. OK. In other words, then you would say though that they did not reach the 75-percent participation level as defined by the administration?

Ms. **Gueron**. Right.

Mr. **Matsui**. By any means.

Ms. **Gueron**. That is right.

Mr. **Matsui**. I finally had a chance to review Ms. Ross' testimony, and I noticed that she refers to your report in a very positive light. She seems to justify, this by saying that the WIN Program was not very good, but the work opportunity initiative is. I do not think I am misinterpreting her comments.

Ms. Ross makes one statement in her comment that the WIN Program has never fulfilled the congressional intent since 1967. She says, "Services tend to go to those who are already motivated, not that those that need the impetus to get started on their quest for self-sufficiency."

This seems to be a theme that I think will run through the President's commission, and some of the general discussions, that we have to make people change their behavior patterns.

I would like your thoughts on that in terms of WIN and in terms of the administration's initiative.

Ms. **Gueron**. Two comments. The WIN Program as it is run now in States that have opted for the WIN Demonstration Program—about half of the States—is quite different from the old WIN Program. It really is the same agency that would administer the administration's proposal that is now running the work side of the welfare system.

So I do not think it would be very different in that sense. There would be some greater flexibility.

In terms of the wrong people. I was listening to the earlier discussion on performance standards, and there is a problem. The WIN system, in the past, was driven by placement rates. And when you ask people to focus on placement rates, they serve the people who are easy to place.

As I was saying earlier, those are most of the people who do not need you. They will find jobs on their own. You may get them a job 3 weeks sooner, but they basically are motivated to get work and they are going to get work.

What you want to do with employment and training programs is also reach further into the caseload, to those women who have not gotten out of the house, who have not had recent work experience, who do not have the self-confidence to look for a job on their own. That is where you want to spend the money.

So in any employment and training system, there is a real tension between emphases on performance and targeting. It is very important to think that through very carefully before any legislation deals with performance standards.

Mr. **Matsui**. Right. It just seems to me—and correct me if I am wrong, because you are the expert in this area—that it is not necessary to make a program mandatory as long as you have these kinds of things and word of mouth that this is a voluntary program you ought to participate in. Just the emotional decision to want to get into a program like this is a big step, I would imagine for many people, rather than forcing them to participate.

This gets into the whole heart of what motivates people to want to get off welfare and join a program.

Ms. GUERON. The three programs for which I reported final results were all mandatory programs. I happen to think that the difference between mandatory and voluntary is not as large as people sometimes think it is.

In general, the welfare work system is not a highly coercive system. But we have, in speaking to case workers in these States and others, found increasing support for mandatory programs as a way to get women who might not volunteer for employment activities into the office so that staff can offer services, work with people, and encourage people who might not know they could succeed on their own.

So I think that there is evidence that mandatory programs can have successful results.

Mr. MATSUI. In other words, you would feel having a mandatory type program, as opposed to a voluntary program, is not unacceptable, as long as we administer it in a very fair manner. Is that correct?

Ms. GUERON. I would also add that we have had supposedly a mandatory program in the WIN Program since 1971. Now how mandatory a program is depends an awful lot on resources. If you don't have resources to serve everybody anyway, the fact that you called it mandatory doesn't mean that, in fact, most people will have to do anything beyond register in a program. So that the dividing line between the two may be more fictitious than real.

Mr. MATSUI. Thank you.

Chairman FORD. You mentioned in your testimony, though, in your statement, that certain States have applied certain sanctions.

Could you just tell us what sanctions have been applied by certain States?

Ms. GUERON. Right. These were all mandatory programs that I was describing here, and that means that you are supposed to cooperate with the program. You're supposed to be in a Job Search workshop or a workfare assignment or an employment and training component, and if not, if you don't cooperate and you go through a very length process of review, et cetera, sanctions mean that the welfare grant in an AFDC case, that the woman's share of the welfare grant can be taken away for a certain number of months. That's what a sanction means. Not the whole case is closed, not the whole——

Chairman FORD. Is that true in all of the States?

Ms. GUERON. That's true in all of the States. For the AFDC-U Program, the Two-Parent Program, the entire grant can be reduced, but for the program which is a female-headed household, only the woman's share of the grant.

Now, sanctioning rates in general are very low in the AFDC Program. It varies across States, but quite low.

Chairman FORD. What about women with young children? We seem to be somewhat torn.

Some would argue that the policy should encourage the mothers to stay home with the child in those early years, but on the other hand, what about the 17- or 18-year-old mother who gets pregnant and hasn't completed high school? Should we wait until that person is 23, 24 years of age before we require her to participate in the program?

Ms. **Gueron**. Well, I think obviously this is a key question. Other research has shown that most of the welfare budget is spent on women who are teenage parents initially. They are the people, if you're a teenage parent and a high school dropout, you are going to spend a lot of time on the welfare rolls.

These are people on whom it is worth spending a lot of money up front, because they're going to cost you more money down the line.

I happen not to think that mandatory requirements may be the way to go with women with young children. I think that what you want to do is offer and make a substantial investment in education and training for these women, because you really want to assure longer term self-sufficiency. And mandatory requirements for women with very young children, I think, raise issues related to child care that are just more difficult than the women with older children.

Chairman **Ford**. Could you comment further on that for the record at some given point, so we would have additional information for the record?

Ms. **Gueron**. I'd be glad to.

[The information follows:]

When federally-supported public assistance became law in the Social Security Act of 1935, the primary goal was to reduce poverty among children. In recent years, the relative emphasis has shifted, from a focus on the well-being of children to the importance of their parents' work and self support. There are a number of reasons for this shift, in particular the increasing numbers of women—including women with young children—who are now working. In addition, there is also evidence that for some women, AFDC has become a way of life, leading to a concern that this dependency can have negative effects both for the mothers and their children.

Anyone concerned about AFDC dependency must not ignore the problem of teenage parenting. Women who were initially teen parents account for a large share of AFDC expenditures. A recent study by Martha Burt for the Center on Population Options showed that about 53 percent of AFDC costs in 1985 were spent on households begun by a teen birth. Moreover, work by Mary Jo Bane and David Ellwood showed that being a young, non-white single parent and a high school dropout were strong predictors of long-term welfare dependency. For this group, duration on welfare averaged 10 years, compared to 4 years for white high school graduates who went on AFDC after being divorced or separated from a husband.

Unfortunately, identifying the problem is not the same as solving it. The track record on successful public interventions for youth—and especially teen parents—is not strong. Between 1980 and 1983, MDRC tested a program of comprehensive services for teen parents—Project Redirection. While this program had notable positive effects while teen mothers received services, the impacts did not persist after teens left the program. MDRC has concluded that the lessons from Project Redirection suggest that in order for interventions for young mothers to have an enduring effect, teens need to believe that a desirable, attainable future—one that would be jeopardized by additional early child-bearing—is within their grasp. Training for employment, as well as educational remediation, appears to be central to this effort, particularly for older teens. As a result, MDRC is now developing another demonstration (New Chance) which will place structured employment and training activities at the core of a comprehensive service system for teen mothers aged 17 to 19.

With rare exception, this country has not tested mandatory programs for teen parents, and does not require participation of mothers with children under 6 in the Work Incentive (WIN) Program. The Arkansas WORK Program discussed in my testimony did require participation for women with children 3 years of age or older, and was just as effective for this group as for the women with older children. That is an important lesson, but it should be regarded with caution, since the program was primarily short-term job search, and thus the child-care needs were limited.

Before we jump to establish mandatory programs for teen parents—with expensive day care and intensive services—I would recommend that we test the effectiveness of such services and the capacity to provide them at the scale required for any mandatory program. Approximately two-thirds of welfare households have young children. Serving that group would require a very substantial expansion in WIN and related programs. Instead of a massive expansion of work or other requirements for this group, we should conduct a series of careful experiments to examine the results and cost effectiveness of alternative approaches. As I noted earlier, if we do nothing, substantial resources will be spent to meet the public assistance needs of this group. It is worth an up-front investment to avoid these long-run costs, both financial and otherwise. Unfortunately, we need further careful testing to determine how to make that investment

Chairman Ford. Reaching the teen parent is a key component of any welfare reform piece of legislation that we're going to mark up or mark up from. And as we contemplate what type of bill should be introduced, we certainly would like to have all of the facts supporting certain problems that we see and trends that we've witnessed already among teenagers. And since teenage pregnancy has been a major component for this committee, and we feel it is a major problem that's out there, if we're ever going to break the cycle for those who have been trapped from one generation to the next in welfare dependency.

Ms. Gueron. You might be interested, too, in some material that we can send on a project that we are attempting to implement during the current year for older teen mothers who are also welfare recipients. It is focused on a core employment component with the many services that these young women need clustered around. So we should begin to develop some information on costs and feasibility.

Chairman Ford. If Congress were to design a program with a comprehensive work and education program, what should its basic elements be?

If a mandatory program were developed, should any recipients be exempt? I guess I'm coming back to the participation we've heard—once again, we're not dealing with the teenage mother now, but we've talked about the plan with Massachusetts, California, and Illinois, those with children under the age of 6. We've heard from the Commissioners or the Directors.

I'm still torn myself with that participation as to how should we design a comprehensive program, and you've already touched upon it with Mr. Matsui and maybe partially with the other response to the previous question.

But that is an area that we are really going to have to wrestle with, with the reform package, whether it's mandatory or whether we're going to have one on a voluntary basis. How do we address that issue?

Ms. Gueron. Well, I think in the States that we've been looking at, they've in a sense had different arrangements. But various combinations of job search and work experience and education and training seem to have paid off.

I'm not sure—I would not go for specifying one combination at a Federal level, but rather leaving some options and flexibilities up to the States to combine these different features.

I should just add on the voluntary/mandatory side that the program in Arkansas did extend mandatory participation down to women with children 3 or over, and that our evaluations suggested that the program was just as effective, had the same kind of employment impacts with women with younger children.

That was not a highly mandatory program, but it certainly showed that those women can benefit from employment and training activities.

Ms. **Blum**. I think that there are two lessons that should be looked at very closely as you are moving forward. One has to do with the point that Dr. Gueron made about the impact on the most disadvantaged. Incentives should be built in to encourage States participating in these programs to involve individuals with no prior employment experience, so that they reach deep into their caseloads.

I also think that there are some clues in the work that Bane and Elwood did, looking at the long stayers on welfare. We should find a way to encourage States to reach people who have been in the welfare caseload 2 years or more. That doesn't mean that we should ignore those with shorter stay, but for them, job search and job club techniques may be effective and they are relatively inexpensive. Some of the more expensive components need to be targeted toward long stayers on welfare.

Chairman **Ford**. Thank you very much.

Mr. Matsui, do you have any followup questions?

Mr. **Matsui**. No, thank you.

Chairman **Ford**. If not, I'd like to thank the panelists for your testimony and your input to the committee. We thank you very much. We might be calling upon MDRC again, and hopefully the two of you would respond if we would have any further questions to be submitted for the record or any testimony or appearances being made before the committee.

Ms. **Gueron**. Certainly.

Chairman **Ford**. Again, thank you very much.

That will conclude the witness list for today, and if there are no further comments from members, the committee stands adjourned.

[Whereupon, at 3:58 p.m., the hearing was adjourned.]

[Submission for the record follows:]

STATEMENT FOR THE RECORD OF

DR. DOUGLAS G. GLASGOW
VICE PRESIDENT FOR WASHINGTON OPERATIONS

NATIONAL URBAN LEAGUE, INC.

BEFORE THE
HOUSE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND
UNEMPLOYMENT COMPENSATION

COMMITTEE ON WAYS AND MEANS

ON
WELFARE REFORM

ROOM B-318
RAYBURN HOUSE OFFICE BUILDING

FEBRUARY 27, 1986

MR. CHAIRMAN, AS VICE PRESIDENT FOR WASHINGTON OPERATIONS OF THE NATIONAL URBAN LEAGUE (NUL), I AM PLEASED TO SUBMIT A SUMMARY STATEMENT FOR THE RECORD CONCERNING REFORM OF THE AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) PROGRAM. THE NATIONAL URBAN LEAGUE WAS FOUNDED IN 1910 AS A NON-PROFIT COMMUNITY SERVICE ORGANIZATION COMMITTED TO SECURING FULL AND EQUAL OPPORTUNITIES FOR MINORITIES AND THE POOR. THROUGH ITS AFFILIATE NETWORK, NUL IS REPRESENTED IN 34 STATES AND 113 CITIES (INCLUDING THE DISTRICT OF COLUMBIA), AND SERVED MORE THAN 1,400,000 PEOPLE IN 1985. HISTORICALLY, THE NATIONAL URBAN LEAGUE, THROUGH VARIOUS PROGRAMMATIC EFFORTS, HAS CARED FOR THE TOTAL FAMILY - THE YOUTH, THE ADULT, AND THE ELDERLY - AND HAS TRADITIONALLY BEEN CONCERNED WITH INCREASING AND IMPROVING EDUCATION AND JOB OPPORTUNITIES FOR BLACK AND MINORITY AMERICANS AS THE SOUNDEST METHOD OF ASSURING FAMILY STABILITY.

THE NATIONAL URBAN LEAGUE ACKNOWLEDGES THE TREMENDOUS INITIATIVE DEMONSTRATED BY THIS SUBCOMMITTEE IN THE AREA OF WELFARE REFORM, WHICH IS REALLY FAMILY INCOME REFORM FOR THE POOR. WE SUPPORT YOUR EFFORT IN NOT ONLY ISOLATING PROBLEMS ASSOCIATED WITH THE POVERTY OF AFDC RECIPIENTS AND WITH TEENAGE PREGNANCY, BUT ALSO YOUR COMMITMENT TO FINDING CONCRETE, REALISTIC AND EFFECTIVE SOLUTIONS THAT STAND TO BE IMPLEMENTED THROUGH THE DEVELOPMENT OF LEGISLATION IN THE COMING MONTHS.

RESEARCH INFORMS US THAT MORE THAN TWO-THIRDS OF ALL AFDC RECIPIENTS ARE CHILDREN, AND THAT THE VAST MAJORITY OF ADULTS ON AFDC ARE SINGLE PARENTS WHO FACE A VARIETY OF BARRIERS TO EMPLOYMENT. IT IS IMPERATIVE THAT PUBLIC POLICY DECISIONS THAT IMPACT UPON THE AFDC PROGRAM REFLECT A SINCERE EFFORT AT TRUE REFORM. YET UNDER CURRENT PRACTICE, WE FIND THAT "WELFARE REFORM" HAS SERVED AS A VEHICLE FOR PROGRAM CUTBACKS WITHOUT ANY CONSTRUCTIVE ATTEMPT AT RETARGETING OUR FEDERAL RESOURCES TO THE PUBLIC, PRIVATE AND VOLUNTARY SECTORS IN A WAY THAT WOULD EFFECTIVELY FACILITATE THE TRANSITION OF EMPLOYABLE PARTICIPANTS TO LABOR MARKET PARTICIPATION. THE LATTER APPROACH WOULD SERVE TO ADVANCE THE PERMANENT ROOTING OF THE FAMILY INTO THE ECONOMIC INFRASTRUCTURE OF AMERICAN LIFE. RESEARCH ALSO INFORMS US THAT THE ROAD TO ECONOMIC INDEPENDENCE IS CLOSELY LINKED TO EDUCATION, TRAINING, JOB PLACEMENT ASSISTANCE, EMPLOYMENT RELATED SUPPORT SERVICES (SUCH AS DAY CARE, HEALTH COVERAGE, TRANSPORTATION), AND EQUAL OPPORTUNITY IN A COMPETITIVE LABOR MARKET. THE FOLLOWING ARE BRIEF SAMPLES OF THE MANY CREATIVE AND CONSTRUCTIVE CHANGES THAT

WE CAN IMPLEMENT IN THE AFDC PROGRAM THAT SERVE TO ENHANCE FAMILY STABILITY AND FACILITATE ECONOMIC INDEPENDENCE.

- AFDC SHOULD STRENGTHEN RATHER THAN WEAKEN THE FAMILY STRUCTURE

WE MUST ADDRESS THE AFDC PROGRAM AND ITS RECIPIENTS FROM A FAMILY PERSPECTIVE AND THEREFORE CHANGE THOSE ASPECTS OF THE PROGRAM WHICH SERVE TO WEAKEN RATHER THAN STRENGTHEN FAMILY STABILITY. STUDIES SHOW THAT MARRIAGE AND RECONCILIATION WITH HUSBANDS IS A MEANS BY WHICH A SUBSTANTIAL PROPORTION OF FEMALE-HEADED HOUSEHOLDS LEAVE THE AFDC PROGRAM. PRUDENT FAMILY POLICY WOULD RECOMMEND THAT WE PROVIDE THE NECESSARY SUPPORTS TO PROTECT AND ENCOURAGE MARRIAGE, ESPECIALLY IN TIMES OF STRESS, SUCH AS LOSS OF INCOME. APPROXIMATELY HALF OF THE STATES FAIL TO OFFER THE AFDC-UP (UNEMPLOYED-PARENT) PROGRAM DESPITE FINDINGS FROM AN URBAN INSTITUTE STUDY WHICH SHOW THAT "COHORTS" CONTAINING AFDC-UP CASES HAVE HIGHER EXIT RATES THAN DO COHORTS CONTAINING ONLY BASIC AFDC CASES. THE NATIONAL URBAN LEAGUE THEREFORE RECOMMENDS THAT THE AFDC-UP PROGRAM BE MADE MANDATORY FOR ALL STATES.

- AFDC SHOULD PROVIDE INCENTIVES RATHER THAN DISINCENTIVES TO MOVEMENT INTO PERMANENT LABOR MARKET PARTICIPATION

PROGRAMMATIC CHANGES AS A RESULT OF THE 1981 OMNIBUS BUDGET RECONCILIATION ACT (OBRA), WHICH RESTRICTED THE 30 AND ONE-THIRD WORK INCENTIVE INCOME DISREGARD ESTABLISHED IN 1967, SERVED TO SABOTAGE THE TRANSITION FROM AFDC TO FULL ECONOMIC INDEPENDENCE BY PREMATURELY TERMINATING MANY OF THE WORKING POOR FROM THE PROGRAM. ALTHOUGH THE DEFICIT REDUCTION ACT OF 1984 HELPED TO MINIMIZE THE DAMAGE WROUGHT BY OBRA, A TIME LIMIT PLACED ON THE 30 AND ONE-THIRD

EARNED INCOME DISREGARD REMAINS. WHILE THIS MAY HAVE BEEN PENNY-WISE AT ONE POINT, IT HAS TURNED OUT TO BE POUND-FOOLISH IN THE LONG RUN. TO ENHANCE THE INCENTIVE FOR PARTICIPANTS TO INCREASE EARNED INCOME AS WELL AS THE PROBABILITY THAT THEY WILL BECOME SELF SUFFICIENT, THE TIME LIMIT PLACED ON THE 30 AND ONE-THIRD INCOME DISREGARD SHOULD BE ELIMINATED.

THE WELFARE EMPLOYMENT EDUCATION AND TRAINING PROGRAM (WEET) IN MAINE, AND THE MASSACHUSETTS EMPLOYMENT AND TRAINING PROGRAM (ET) ARE EXAMPLES OF STATES THAT HAVE DEMONSTRATED THE CAPACITY FOR CREATIVE AND EFFECTIVE APPROACHES TO THE AFDC WORK INCENTIVE (WIN) AND WIN DEMONSTRATION PROGRAMS. STATE FLEXIBILITY IN DESIGNING WORK-RELATED PROGRAMS TO ADDRESS THE NEEDS OF THEIR RESPECTIVE POPULATIONS SHOULD BE MAINTAINED. FUNDING FOR THESE PROGRAMS SHOULD BE EXPANDED RATHER THAN CUT OR ABOLISHED AS PROPOSED BY THE WORK OPPORTUNITIES INITIATIVE AND THE PRESIDENT'S BUDGET FOR FY1987.

- PRIVATE AND VOLUNTEER PARTNERSHIPS WITH THE PUBLIC CAN WORK EFFECTIVELY IN ASSISTING AFDC FAMILIES ACHIEVE ECONOMIC INDEPENDENCE

COMMUNITY BASED ORGANIZATIONS SUCH AS THE NATIONAL URBAN LEAGUE POSSESS THE CAPABILITY TO WORK EFFECTIVELY WITH CERTAIN POPULATIONS NEEDING SERVICES. SEVERAL URBAN LEAGUE AFFILIATES HAVE DEMONSTRATED THEIR CONTINUED COMMITMENT TO THE AFDC POPULATION AND HAVE EFFECTIVELY COMBINED RESOURCES FROM THE COMMUNITY, PRIVATE SECTOR, AND STATE, LOCAL AND FEDERAL GOVERNMENTS TO ASSIST CERTAIN AFDC RECIPIENTS IN THEIR TRANSITION TO LABOR MARKET PARTICIPATION. FOR EXAMPLE, THE DAYTON (OHIO) URBAN LEAGUE PROVIDES JOB TRAINING SERVICES TO JTPA PARTICIPANTS. APPROXIMATELY 85 PERCENT OF THESE PARTICIPANTS RECEIVE AFDC. THE DAYTON JTPA PROGRAM ALSO PROVIDES A PACKAGE OF SUPPORT SERVICES TO NEEDY PARTICIPANTS OF THEIR OCCUPATIONAL HEALTH TRAINING

PROGRAM. THESE INCLUDE UNIFORMS, EQUIPMENT, AND OTHER EDUCATIONAL SUPPLIES. THIS URBAN LEAGUE AFFILIATE ALSO SUPPLEMENTS THESE SERVICES BY PROVIDING BUS PASSES TO THOSE WHO RECEIVE UNEMPLOYMENT INSURANCE. THE UL AFFILIATE ALSO NEGOTIATES WITH OTHER AGENCIES IN THE CITY TO OBTAIN ADDITIONAL SERVICES SUCH AS FOOD, CLOTHING AND CHILD CARE. THIS PROGRAM HAS A RETENSION RATE OF 95 PERCENT. MR. CHAIRMAN, WITH OUR LIMITED RESOURCES, WE HAVE SHOWN THAT AN ALLIANCE OF THE PRIVATE, LOCAL, VOLUNTARY AND FEDERAL SECTORS CAN SERVE AS AN EFFECTIVE MEANS OF SERVICE DELIVERY.

- FAMILY SUPPORT MUST BE MAINTAINED RATHER THAN DISCOURAGED WHEN A TEENAGER BECOMES A PARENT

ACCORDING TO A RECENT REPORT BY THE SELECT COMMITTEE ON CHILDREN, YOUTH, AND FAMILIES ON STATE EFFORTS IN TEENAGE PREGNANCY, THE DEFICIT REDUCTION ACT OF 1984 (DEFRA) STRENGTHENED MANY AFDC PROVISIONS, BUT WAS ALSO RESPONSIBLE FOR ONE KEY CHANGE THAT HAS SIGNIFICANTLY REDUCED THE NUMBER OF TEENAGERS WHO MIGHT BE ELIGIBLE FOR AFDC: DEFRA HAS EXPANDED THE NUMBER OF PEOPLE WHOSE INCOME MUST BE COUNTED IN DETERMINING A FAMILY'S ELIGIBILITY AND BENEFIT LEVEL BY INCLUDING MINOR SIBLINGS AND GRANDPARENTS. THE REPORT EXPLAINS THAT UNDER THIS CHANGE, INCOME FROM GRANDPARENTS, IF THE GRANDPARENTS AND THE MINOR PARENT RESIDE IN THE GRANDPARENTS HOME, MUST NOW BE COUNTED, EVEN IF THIS INCOME IS NOT AVAILABLE TO SUPPORT THE FAMILY. (THIS HAS OFTEN BEEN REFERRED TO AS THE GRANDPARENT/SIBLING DEEMING PROVISION.) WHILE THE SELECT COMMITTEE REPORTS THAT SOME STATES FOUND LITTLE OR NO EFFECT FROM THESE CHANGES, OTHER STATES COMMENTED ON THEIR IMPACT. FOR EXAMPLE, LOUISIANA COMMENTED THAT "THIS PROVISION SHOULD BE REPEALED BECAUSE IT SERVES AS A POTENTIAL DESTRUCTIVE POLICY THAT FOSTERS BREAKDOWN OF FAMILIES AND MINOR PARENTS."

THE NUL BELIEVES THAT ALL MEASURES OF FAMILY SUPPORT SYSTEMS MUST BE SAFEGUARDED THROUGH PUBLIC POLICY AND THEREFORE RECOMMENDS A REPEAL OF THE 1984 GRANDPARENT AND SIBLING INCOME DEEMING PROVISIONS OF THE AFDC PROGRAM.

FINAL COMMENT

IT IS QUITE EVIDENT FROM THE MANY STUDIES OF AFDC THAT WE DO NOT OPERATE IN AN INFORMATION VACUUM. WE DO NOT NEED A MULTIPLICITY OF TASK FORCES OR COMMISSIONS TO RE-STUDY WHAT WE ALREADY KNOW ABOUT TRANSITIONING AFDC RECIPIENTS TO THE PERMANENT LABOR MARKET. WE ONLY NEED A HUMANE FAMILY POLICY THAT WILL MARSHALL PUBLIC, PRIVATE AND VOLUNTARY RESOURCES TOWARD AN AFDC POPULATION READY, WILLING, AND EAGER TO WORK, GIVEN THE APPROPRIATE SUPPORTS AND OPPORTUNITY.

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